



# EMBRACING CHANGE

TOWARDS A BETTER FUTURE

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2016 ANNUAL REPORT





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# THE DEPARTMENT OF FINANCE

**T**he Department of Finance (DOF) is the government's steward of sound fiscal policy. It formulates revenue policies that will ensure funding of critical government programs that promote welfare among our people and accelerate economic growth and stability.

The Department envisions that the effective and efficient pursuit of the critical tasks under its wings - revenue generation, resource mobilization, debt management and financial market development shall provide the solid foundation for a Philippine economy that is one of the most active and dynamic in the world.

The fact that the birth of the DOF predated that of the Philippine Republic is testimony to its importance. Founded on 24 April 1897 by the Philippine Revolutionary Government, the DOF has undergone various structural and functional overhauls, but has nonetheless remained a key department. At present, the critical tasks of revenue generation, resource mobilization and fiscal management rest on the shoulder of the DOF.

The government must provide the citizenry with infrastructure, education, health and other basic services; and the DOF must be ready with the funds for them. Likewise, the DOF must steer fiscal programs toward an investment-friendly environment, which is the catalyst for growth.



- A strong economy with stable prices and strong growth;
- A stable fiscal situation with adequate resources for government projects, infrastructure, education, health and other basic services;
- A borrowing program that is able to avoid the crowding-out effect on the private sector and minimizes costs;
- A public sector debt profile with long maturities and an optimum mix of currencies that minimizes the impact of currency movements; and
- A strong economic growth with equity and productivity.

Our economy must be one of the most dynamic and active in the world, globally competitive and onward looking. The DOF shall take the lead in providing a solid foundation for the achievement of this objective by building a strong fiscal position, through the:

- Formulation, institutionalization and administration of sound fiscal policies;
- Improvement of tax collection efficiency and non-tax revenue efforts;
- Mobilization of adequate resources on most advantageous terms to meet budgetary requirements;
- Sound management of public sector debt; and
- Initiation and implementation of structural and policy reforms.



Under Executive Orders 127, 127-A and 292, the Department of Finance is responsible for the:

- Formulation, institutionalization and administration of fiscal policies in coordination with other concerned subdivisions, agencies and instrumentalities of the government;
- Generation and management of the financial resources of government;
- Supervision of the revenue operations of all local government units;
- Review, approval and management of all public sector debt, domestic or foreign; and
- Rationalization, privatization and public accountability of corporations and assets owned, controlled or acquired by the government.



I am a public servant in the Department of Finance.

I seize the initiative to improve a little each day:

- in the way that I am; in the way I care;
- in the way I work.

I strive for excellence in everything I do:

- by the pursuit of competence;
- by the constant search of professionalism;
- by the observance of team work.

I take the lead and serve:

- by putting country above self;
- by showing concern for others;
- by thinking of myself last.

I think and act to ensure:

- integrity in the life I live;
- the efficiency of the work I do;
- the effectiveness of the service I render.

I believe that God is my father who cares for and helps me always.



# MESSAGE FROM THE SECRETARY



## OUR LABORS BEAR FRUIT

Fellow workers in government:

I am happy to share with you the Department of Finance's Annual Report for 2016.

This Report details the Department's achievements across all its areas of concern for the year 2016. All the gains we have achieved in revenue collection and the strides we have taken in improving the way we do things are due to the hard work and the patriotism of the DOF staff. All our labors are bearing fruit.

I am sure you know all the numbers in this Report by heart. Every achievement we make is quantifiable. Every gain is measurable. That is the beauty of the DOF's annual reporting. It is transparent, accurate and accountable.

Much as we have progressed, there is still much to be done. The administration envisions a long period of high and inclusive growth. It is indispensable the DOF delivers on its own targets. The infrastructure program, the expansion of social service and the enlarged investments in our human capital all rely on our delivery of the necessary revenues.

I am confident the people of the DOF will deliver with the same competence and passion in the coming years. We cannot afford to fail. Our people rely so much on our capacity to build revenues and maintain fiscal discipline in the coming years.

Congratulations on the work done and the best of luck to the work we still need to do. Next year's annual report will be even more impressive than this one is.

**CARLOS G. DOMINGUEZ**  
Secretary

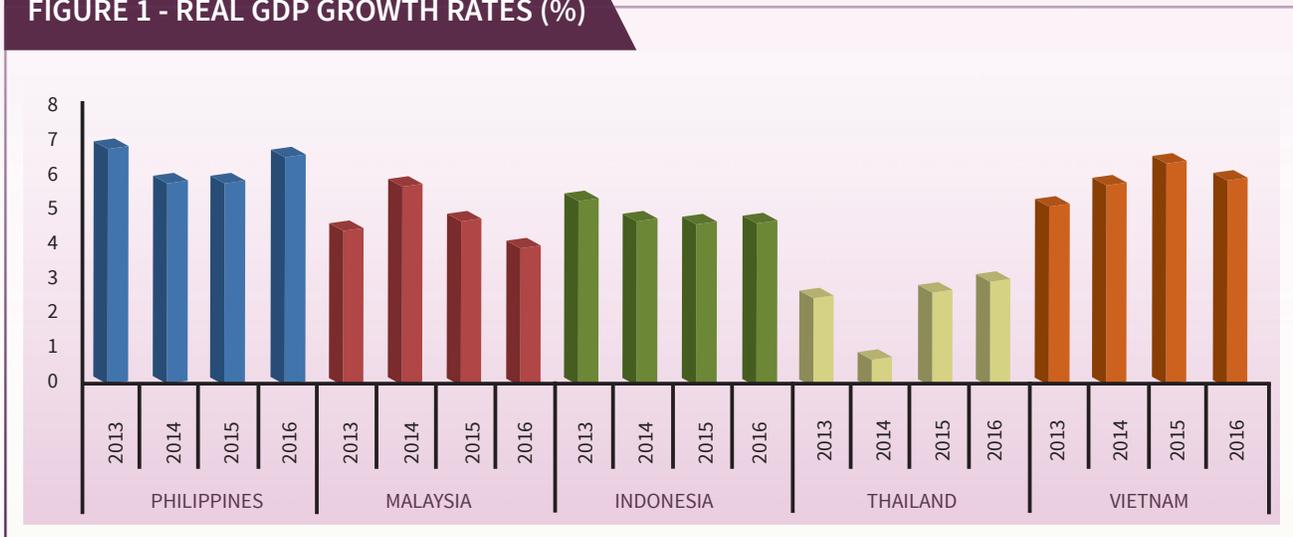
**“ I am confident the people of the DOF will deliver with the same competence and passion in the coming years. We cannot afford to fail. Our people rely so much on our capacity to build revenues and maintain fiscal discipline in the coming years. ”**

**- Secretary Dominguez**

# ECONOMIC HIGHLIGHTS

The Philippine economy sustained its solid growth performance in 2016, amidst the weak external demand, US monetary policy tightening, transition between two administration, and other domestic challenges. The country's GDP accelerated by 6.9 percent, the highest in the region, driven by robust demand, investment and increased government spending.

FIGURE 1 - REAL GDP GROWTH RATES (%)



Source: Bangko Sentral ng Pilipinas

Overseas Filipino Workers (OFWs) continued to bring in their substantial contribution to national growth. Cash remittances stood at USD26.9 billion in 2016, driving consumer demand.

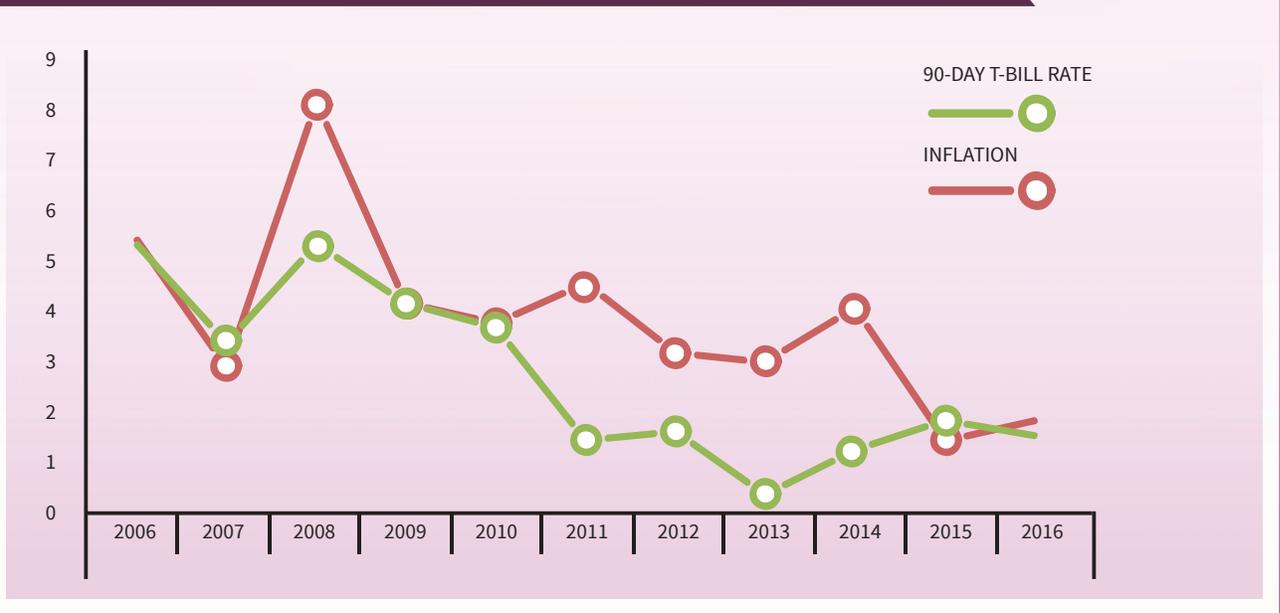
Accelerated public spending, particularly on infrastructure, boosted economic activities during the year. Government consumption expenditure and fixed capital investment grew by 7 percent and 19 percent, respectively. The DOF also submitted its Tax Reform Package Proposal to Congress, critical to raise the infrastructure, human capital and social spending to spur inclusive development in the country.

By sector, services and industry propelled growth. Services, which contributed more than half of the country's GDP, posted a 7.5 percent growth, followed by the industry sector at

7.4 percent, while agriculture, fishery and forestry contracted by 1.3 percent due to the drought caused by El Niño and other weather disturbances.

Despite the robust consumer demand, inflation remained benign, because of lower global fuel prices and timely import of rice which kept food prices low. Inflation slightly picked up by 1.8 percent on average, from 1.4 percent previously. Meanwhile, interest rates were on the downtrend with the benchmark 91-day T-bill rate posting an average rate of 1.5 percent, from 1.8 percent in 2015. The BSP supported the low rate regime with accommodative monetary policy by keeping overnight reverse repurchase rate unchanged at 3 percent.

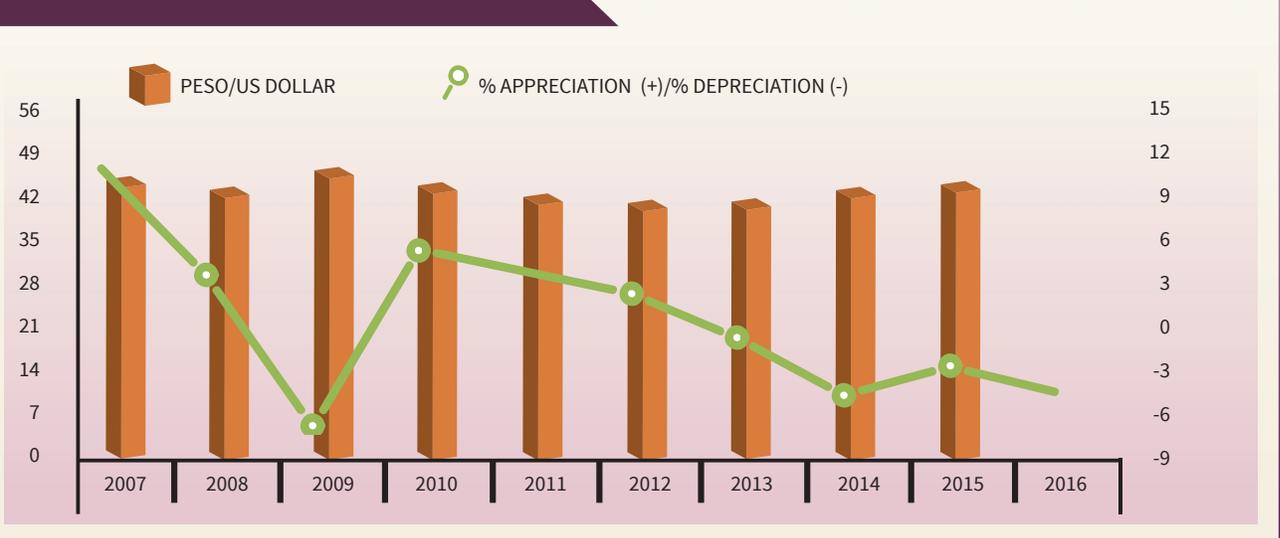
**FIGURE 2 - AVERAGE INFLATION RATE VS AVERAGE 91-DAY T-BILL RATE**  
(In percent)



Source: Bangko Sentral ng Pilipinas

Asian currencies slid against the dollar in the last quarter of 2016, and the Philippine peso was not an exception. The Philippine peso depreciated by a 5.3 percent full-year average against the greenback, driven by impending US rate hikes, US elections, and “Brexit”, or Britain’s vote to leave the European Union.

**FIGURE 3 - PESO PER US DOLLAR RATE**



Source: Bangko Sentral ng Pilipinas



# FUNDING NATIONAL DEVELOPMENT

## NATIONAL GOVERNMENT FISCAL PERFORMANCE

**F**iscal deficit stood at P353.4 billion in 2016, higher by P231.7 billion posted in the previous year. The increase in the deficit emphasizes the drive of the new administration to sustain the country's growth momentum and beef up spending especially on infrastructure.

Total revenues (net of tax refund) was registered at P2.2 trillion, higher by P87.0 billion compared to the P2.1 trillion collected in 2015. Tax revenues, which comprise 90 percent of the

total, grew by 9.1 percent to P2.0 trillion from the 2015 level of P1.8 trillion. Non tax revenues declined by 4.1 percent from P230.7 billion to P214.8 billion. Privatization proceeds fell from the high of P62.8 billion in 2015 to only P700 million in 2016. Overall, revenue growth slowed down to 4.1 percent year-on-year, because of non-recurring receipts in 2015.

Total expenditures outpaced the growth of revenues as it reached P2.5 trillion, 14.3 percent higher than the P2.2 trillion spent in 2015. The deficit-to-GDP ratio rose significantly from 0.9 percent in 2015 to 2.4 percent in 2016 but remains within the revised program of 2.7 percent.

TABLE 1 - NG Fiscal Performance

| NG Fiscal Position<br>(In Billion Pesos) | 2015<br>Actual | 2016<br>Actual | 2016 Revised<br>Program | % Variance    | Growth Rate   |
|--|----------------|----------------|-------------------------|---------------|---------------|
| <b>Total Revenues</b>                    | <b>2,109.0</b> | <b>2,196.0</b> | <b>2,256.7</b>          | <b>-2.7%</b>  | <b>4.1%</b>   |
| <b>Tax Revenues</b>                      | <b>1,815.5</b> | <b>1,980.4</b> | <b>2,044.0</b>          | <b>-3.1%</b>  | <b>9.1%</b>   |
| <i>Tax Effort (%)</i>                    | <i>13.6</i>    | <i>13.7%</i>   | <i>14.1%</i>            |               |               |
| BIR                                      | 1,433.3*       | 1,567.2*       | 1,620.0                 | -3.3%         | 9.3%          |
| BOC                                      | 367.5          | 396.4*         | 409.0                   | -3.1%         | 7.8%          |
| Other Offices                            | 14.6           | 16.8           | 15.0                    | 12.1%         | 14.8%         |
| <b>Non-Tax Revenues</b>                  | <b>230.7</b>   | <b>214.8</b>   | <b>223.9</b>            | <b>-4.1%</b>  | <b>-6.9%</b>  |
| Fees and Charges                         | 36.4           | 39.8           | 90.0                    | -0.4%         | 9.4%          |
| Bureau of Treasury                       | 110.0          | 101.7          | 80.7                    | 13.0%         | -7.5%         |
| Other Non-tax revenues                   | 84.1           | 73.2           | 53.2                    | -9.3%         | -12.9%        |
| Foreign grants                           | 0.2            | 0.1            | 0.0                     |               |               |
| <b>Privatization</b>                     | <b>62.8</b>    | <b>0.7</b>     | <b>2.0</b>              | <b>-67.2%</b> | <b>-99.0%</b> |
| <b>Expenditure</b>                       | <b>2,230.6</b> | <b>2,549.3</b> | <b>2,645.6</b>          | <b>-3.6%</b>  | <b>14.3%</b>  |
| <b>Surplus/(Deficit)</b>                 | <b>-121.7</b>  | <b>-353.4</b>  | <b>-388.9</b>           | <b>-9.1%</b>  | <b>190.4%</b> |

\*Includes:

|                                 |       |
|---------------------------------|-------|
| Interest on Advances to GOCCs   | 0.110 |
| Guarantee Fee                   | 4.017 |
| Foreign Exchange Risk Cover Fee | 1.577 |

Source: Department of Finance

## TAX REVENUES

Tax revenues reached almost P2.0 trillion, surpassing the 2015 collection by 9.1 percent, slightly raising tax effort to 13.7 percent from 13.6 percent in 2015. Against the revised program, total revenues fell by 2.7 percent with tax revenues falling below target by 3.1 percent. BIR fell short of program by 3.3 percent, while BOC was below its target by 3.1 percent.

Tax revenues from BIR grew by 9.3 percent year-on-year. Stricter implementation of tax administration programs, enhancement of the tax payment system, and the enforcement of the annual increase in tax rates for tobacco and

alcohol products mandated by the Sin Tax Reform Act of 2012 contributed to the increase in BIR collections. Income taxes and VAT comprise the bulk of BIR collections, accounting for 58.7 percent and 21.0 percent of collections, respectively.

In 2016, BOC collections grew by 7.8 percent, reaching a total of P396.4 billion. VAT remains the biggest component of the collections at 73.2 percent followed by import duties, and excise tax, at 14.9 and 10.4, respectively.

*\*2015 and 2016 BIR Collection are Net of Tax Refunds amounting to P8.271 million and P8.571 million respectively*

## BIR AND BOC COLLECTION PERFORMANCE

TABLE 2 - BOC Collection Performance

| Taxes Revenues<br>(In Billion Pesos) | 2015         | 2016          | % Growth   | 2016 % Distribution |
|--------------------------------------|--------------|---------------|------------|---------------------|
| <b>Total Collection</b>              | <b>367.5</b> | <b>396.4*</b> | <b>7.8</b> | <b>100.0</b>        |
| <i>o.w. Tax Expenditure Fund</i>     | 10.1         | 7.8           | -23.5      | 1.9                 |
| Import Duties                        | 57.1         | 59.3          | 3.8        | 14.9                |
| Non-Oil                              | 57.1         | 59.3          | 3.8        | 14.9                |
| Oil                                  | 0.1          | 0.1           | -37.8      | 0.0                 |
| VAT                                  | 274.7        | 291.7         | 6.2        | 73.2                |
| Non-Oil                              | 225.7        | 251.1         | 11.2       | 63.0                |
| Oil                                  | 49.0         | 40.7          | -17.0      | 10.2                |
| Excise Tax                           | 31.8         | 41.5          | 30.4       | 10.4                |
| Others                               | 3.9          | 5.9           | 51.6       | 1.5                 |

Source: Department of Finance

TABLE 3 - BIR Collection Performance

| Taxes Revenues<br>(In Billion Pesos) | 2015            | 2016            | % Growth   | 2016 % Distribution |
|--------------------------------------|-----------------|-----------------|------------|---------------------|
| <b>Total Collection</b>              | <b>1,433.3*</b> | <b>1,567.2*</b> | <b>9.3</b> | <b>100.0</b>        |
| Income Taxes                         | 846.2           | 924.6           | 9.3        | 58.7                |
| Excise Taxes                         | 158.3           | 163.5           | 3.3        | 10.4                |
| Value-Added Tax                      | 295.5           | 331.4           | 12.2       | 21.0                |
| Percentage Taxes                     | 59.0            | 65.1            | 10.4       | 4.1                 |
| Other Taxes                          | 82.6            | 91.2            | 10.4       | 5.8                 |

*\*2016 BOC collections are Net of Tax Refunds amounting to P2.045 billion*

Source: Department of Finance



# FUNDING NATIONAL DEVELOPMENT

## NON-TAX REVENUES

Non-tax revenues totalled P214.8 billion, 6.9 percent lower than the 2015 level of P230.7 billion. Non tax revenues cover the income of the Bureau of the Treasury (BTr), collections from GOCCs, fees and charges and other non-tax revenues.

The biggest contributor to the decline was privatization which was down to just P657 million compared to the P62.8 billion in 2015. Other non-tax revenues were also down by P10.9 billion. The total BTr income for 2016 is 7.5 percent or P8.3 billion lower than a year ago but is 13.0 percent better than the revised program, generating full year collections of P101.7 billion. The fees and charges improved by P3.4 billion from P36.4 billion in 2015 to P39.8 billion in 2016.

Dividend collections reached P28.9 billion, 10.5 percent lower than the P32.3 billion posted in 2015. The biggest remittances came from Land Bank of the Philippines (LBP), Mactan Cebu International Airport Authority (MCIAA), Development Bank of the Philippines (DBP), and Philippine Deposit Insurance Corporation (PDIC), among others.

## SIN TAX REFORM LAW (RA NO. 10351)

After four years of implementation, Republic Act No. 10351 or the Sin Tax Reform Law has generated for the NG total incremental revenues of P242.0 billion or 47.8 percent of the total excise tax collections of P506.3 billion.

Excise tax collections in 2016 reached P145.8 billion or 1 percent of GDP – P94.5 billion from tobacco products and P51.3 billion from alcohol products. Of these total, P67.5 billion was allocated for Universal Health Care (UHC) and tobacco-producing LGUs under RA Nos. 7171 and 8240.

On 08 March 2016, the Department of Budget and Management (DBM), through Local Budget Memorandum (LBM) 72, released the allocations for various tobacco-producing LGUs - P10.2 billion under RA 7171 and P503.9 million under RA 8240 – which is based on the 2013 excise tax collections charged against the 2015 General Appropriations Act (GAA).

The Sin Tax Reform Law has also improved the budget of the Department of Health (DOH) from P87.0 billion in 2015 to P122.6 billion in 2016 or a 41.0 percent increase. Of this, P69.4 billion came from the incremental revenues from the law, producing a clear win for public health.

In addition, the allocation for health insurance premiums for poor Filipino families almost quadrupled from P12.6 billion prior to reform to P43.9 billion in 2016. PhilHealth coverage is now at 90.9 percent or 93.4 million Filipinos.

## GOVERNMENT CORPORATE SECTOR

2016 was favorable year for the 14 Major Non-Financial Government Corporations (MNFGCs) which posted a financing surplus of P24.9 billion, which is almost nine times of the P2.8 billion surplus posted last year. Increase in contract payments of Independent Power Producers Administration (IPPA) to PSALM; higher power sales; and lower fuel costs improved their position of the power corporations – National Power Corporation (NPC), National Transmission Corporation (TransCo) and Power Sector Assets and Liabilities Management Corporation (PSALM) - whose consolidated position was a surplus of P16.5 billion. A less severe than anticipated El Niño resulted to higher buffer stocks and reduced volume of rice importation by the National Food Authority (NFA). This, combined with less procurement because of favorable market conditions, NFA posted a surplus of P4.5 billion. Philippine Ports Authority (PPA) also generated a surplus of P1.9 billion with the intensified collection of fees and charges from its mostly foreign denominated transactions. Other Government Owned and Controlled Corporations (GOCCs) that contributed to the overall surplus are Metropolitan Waterworks and Sewerage System (MWSS), National Development

Company (NDC), Philippine National Oil Company (PNOC), and Local Water Utilities Administration (LWUA).

Government Financial Institutions (GFIs) maintained their positive contribution to the consolidated public sector financing position in 2016 at P15.5 billion. GFIs' surplus increased by 12.2 percent in 2016 because of favorable lending activities, gain on sale of properties, and lower financial charges.

Social Security Institutions (SSIs) posted a surplus of P72.4 billion in 2016, an improvement of 16.0 percent compared to 2015. The implementation of the 1<sup>st</sup> tranche of the Modified Salary increase for civilian personnel, alongside with the growth of membership by 10 percent increased members' contribution and National Government employer counterpart into the Government Service Insurance System (GSIS). On the other hand, increase in pension pay-outs and higher benefit payments for the indigent, sponsored members, and senior citizens reduced the surplus posted by the Social Security System (SSS) and Philippine Health Insurance Corporation (PHIC).

**TABLE 4 - Contribution to the Consolidated Public Sector Financial Position Financing Surplus/(Deficit) of the 14 MNFGCs, GFIs and SSIs (In Billion Pesos)**

| Particulars                 | 2015<br>Final Actual | 2016<br>Prelim Actual | Increase<br>(Decrease) | % Growth |
|-----------------------------|----------------------|-----------------------|------------------------|----------|
| 14 MNFGCs                   | 2.8                  | 24.9                  | 22.2                   | 789.3    |
| GFIs<br>(DBP, TIDCORP, LBP) | 13.8                 | 15.5                  | 1.7                    | 12.3     |
| SSI (GSIS, PHIC, SSS)       | 60.6                 | 72.4                  | 11.8                   | 19.5     |

Source: Department of Finance



# FUNDING NATIONAL DEVELOPMENT

**TABLE 5 - Contribution to the Fiscal Consolidation Program of the Government (In Billion Pesos)**

| Collections from GOCCs                          | 2016 FY Program (Per BESF) | January - December |             |            |             |
|---|----------------------------|--------------------|-------------|------------|-------------|
|   |                            | 2015               | 2016        | Inc (Dec)  | % Inc (Dec) |
| A. Dividends                                    | 5.5                        | 31.5               | 27.7        | -3.7       | -12%        |
| B. Guarantee Fee                                | 3.8                        | 4.0                | 1.9         | -2.1       | -52%        |
| C. Interest on Advances                         | 0.8                        | 0.1                | 0.0         | -0.1       | -91%        |
| D. FOREX Risk Cover Fee                         | 1.7                        | 1.6                | 1.5         | -0.1       | -5%         |
| E. Airport Terminal Fee                         | 0.5                        | 0.6                | 0.9         | 0.3        | 46%         |
| F. NG Shares on Income Received (PAGCOR & MIAA) | 15.8                       | 20.9               | 26.6        | 5.7        | 27%         |
| <b>TOTAL COLLECTIONS</b>                        | <b>28.0</b>                | <b>58.6</b>        | <b>58.6</b> | <b>0.0</b> | <b>0%</b>   |

Source: Department of Finance

The National Government (NG) collections from the government corporate sector comprising dividends pursuant to the Republic Act 7656 or the Dividend Law, fees due to the NG and NG Share on generated revenues by Philippine Amusement and Gaming Corporation (PAGCOR) and Manila International Airport Authority (MIAA), as prescribed by law, reached P58.6 billion, exceeding the P28.0 billion target by P30.6 billion. Contributions from GOCCs and GFIs are bulk of non-tax revenues of the National Government.

Over-all collections from the GOCCs of P58.6 Billion in 2016 represent 27.2 percent of total non-tax revenues for the same period.

Dividend collections reached P27.7 billion, 12 percent lower than the amount received in 2015, which recorded extraordinary remittances from the privatization proceeds of Food Terminal, Inc. (FTI) and payment of dividend arrears by NDC, PAGCOR and PNOC.

## ENDEAVORS

1. Modified the Implementing Rules and Regulations (IRR) of R.A. No. 7656 (Dividend Law) to provide that the annual income tax payable will serve as the basis of the dividend to be remitted to the BTr, among others and expounded some provisions of the preceding IRR to facilitate the compliance of GOCCs to the Dividend Law. This would further promote fiscal discipline among GOCCs and increase NG revenue collection.
2. Initiated the GOCCs Debt Recording and Monitoring System (GDRAMS) in partnership with the Governance Commission for GOCCs (GCG), a web-based system tasked to record and to monitor data of GOCCs' debt and liabilities. The system has been launched and data encoding has been started by the GOCCs. The system aims to streamline the data reporting process and to provide comprehensive data that will help in the analysis of GOCC debt, better manage government financial exposure and strategy formulation.
3. Continued review of GOCCs' mandates which will separate the regulatory and the commercial functions in pursuit of government thrust to rationalize the government corporate sector. Among others, discussions with other key government agencies to institute reforms for NFA are ongoing. Privatization is also under consideration for PAGCOR's commercial function.

## LIABILITY MANAGEMENT

### National Government Financing

For 2016, the National Government (NG) raised P507.0 billion in gross financing, to cover the budget deficit of P353.4 billion and refinancing requirement of P176.1 billion including the debt exchange in March. Domestic borrowing was still heavily favored, although at a lower ratio than the target, for an external-to domestic financing mix of 29:71.

**TABLE 6 - Comparative Table on NG Cash Budget Performance  
For the period January 1 – December 31, 2016  
(In Million Pesos)**

| Particulars                           | Full Year 2016        |                               |                       | Actual vs Rev 2016 |             |
|---------------------------------------|-----------------------|-------------------------------|-----------------------|--------------------|-------------|
|                                       | Program <sup>1/</sup> | Revised Program <sup>2/</sup> | Actual <sup>3/</sup>  | Difference         | Variance    |
| <b>NET FINANCING</b>                  | <b>327,100</b>        | <b>516,804</b>                | <b>330,939</b>        | <b>(185,865)</b>   | <b>-36%</b> |
| <b>External Borrowing (Net)</b>       | <b>(13,068)</b>       | <b>(18,219)</b>               | <b>(24,113)</b>       | <b>(5,894)</b>     | <b>32%</b>  |
| External Borrowing (Gross)            | 104,575               | 157,051                       | 149,523               | (7,528)            | -5%         |
| Less: Amortization                    | 117,643               | 175,270                       | 173,636 <sup>4/</sup> | (1,634)            | -1%         |
| <b>Domestic Borrowing (Net)</b>       | <b>340,168</b>        | <b>535,023</b>                | <b>355,052</b>        | <b>(179,971)</b>   | <b>-34%</b> |
| Domestic Borrowings (Gross)           | 570,228               | 538,373                       | 357,497               | (180,876)          | -34%        |
| Treasury Bills                        | 49,500                | 34,035                        | 23,501                | (10,534)           | -31%        |
| Treasury Bonds                        | 520,728               | 504,338                       | 333,996               | (170,342)          | -34%        |
| Less: Net Amortization <sup>5/</sup>  | 6,482                 | 3,350                         | 2,445                 | (905)              | -27%        |
| Amortization                          | 374,225               | 312,780                       | 311,875               | (905)              | 0%          |
| o/w Serviced by the BSF <sup>6/</sup> | 367,743               | 309,429                       | 309,430               | 0                  | 0%          |
| <b>GROSS FINANCING</b>                | <b>674,803</b>        | <b>695,424</b>                | <b>507,020</b>        | <b>(188,404)</b>   |             |
| <b>Financing Mix (% of the Total)</b> |                       |                               |                       |                    |             |
| External                              | 15%                   | 23%                           | 29%                   |                    |             |
| Domestic                              | 85%                   | 77%                           | 71%                   |                    |             |

*1/ Based on BESF 2016 Table D.1*

*2/ Based on BESF 2017 Table D.1*

*3/ Based on 2016 Cash Operations Report*

*4/ Includes prepayments made through bond exchange transactions*

*5/ Domestic Amortization only includes A/R Bonds*

*6/ Actual redemption from Sinking Fund*

*Source: Bureau of the Treasury*



# FUNDING NATIONAL DEVELOPMENT

Domestic borrowings through the auction of Treasury Bills and Bonds contributed P357.5 billion or 71 percent to the borrowing effort. Gross Treasury Bills floatation amounted to P215.5 billion while redemptions amounted to P192.0 billion, leaving P23.5 billion for financing. Meanwhile, P234.0 billion came from the issuances of 5-, 7-, and 10-year Treasury Bonds. In September, a total of P100.0 billion was raised from the issuance of the 18<sup>th</sup> tranche of Retail Treasury Bonds as part of the government's initiative of reaching a wider investor base, promoting savings and investment consciousness among Filipinos, and mobilizing domestic savings.

Meanwhile, P149.5 billion or 29 percent was raised externally through availment of concessional loans from development partners and issuance of dollar bonds in the international capital markets. Program loans from the Asian Development Bank (ADB) comprised the bulk of loan availments, specifically: (1) USD300 million or P14.1 billion from *Encouraging Investments through Capital Market Reform Program* and (2) USD300 million or P14.1 billion from *Expanding Private Participation in Infrastructure Program*. In the international capital market, a new 25-year Global Bond (or ROPs) in the amount of USD2.0 billion (P95.1 billion) was issued in March in line with debt management efforts to reduce interest payments and extend portfolio maturities.

The new issue of Global Bonds occurred concurrently with a 1-day Accelerated Switch Tender Offer for 16 series of USD bonds maturing between 2016 and 2037. The bonds were priced at par with a coupon of 3.7 percent, the lowest coupon ever issued by the Republic to date on a global bond after an initial pricing guidance around the 4.0 percent area. Moreover, the transaction was also the first sovereign USD bond issuance and the longest-dated USD bond issuance from Asia so far in 2016.

Due to its stellar execution of the international liability management transaction, the Philippines was named as the Best Sovereign Issuer Award at The Asset's *Asian Awards* on 22 February 2016.

## National Government Debt Indicators

The National Government's outstanding debt rose to P6.09 trillion in 2016, 2.3 percent higher than the P5.95 trillion posted in 2015. Of the total, 35 percent or P2.16 trillion were sourced from external creditors while 65 percent or P3.93 trillion were owed to domestic creditors.

*In September, a total of P100.0 billion was raised from the issuance of the 18<sup>th</sup> tranche of Retail Treasury Bonds as part of the government's initiative of reaching a wider investor base, promoting savings and investment consciousness among Filipinos, and mobilizing domestic savings.*

**TABLE 7 - National Government Outstanding Debt**  
**As of the period indicated**  
(In Million Pesos)

| Particulars            | 2015<br>Dec      | 2016             |                  | Difference     |                  |             |               |
|------------------------|------------------|------------------|------------------|----------------|------------------|-------------|---------------|
|                        |                  | Nov              | Dec              | Dec<br>Y-o-Y   | Nov/Dec<br>M-o-M | % Change    |               |
|                        |                  |                  |                  |                |                  | Dec         | Dec/Nov       |
| <b>TOTAL</b>           | <b>5,954,537</b> | <b>6,105,034</b> | <b>6,090,262</b> | <b>135,725</b> | <b>-14,772</b>   | <b>2.3%</b> | <b>-0.24%</b> |
| <b>Domestic</b>        | <b>3,884,380</b> | <b>3,939,258</b> | <b>3,934,097</b> | <b>49,717</b>  | <b>-5,161</b>    | <b>1.3%</b> | <b>-0.1%</b>  |
| Loans                  | 598              | 598              | 598              | 0              | 0                | 0.0%        | 0.0%          |
| Direct Loans           | 156              | 156              | 156              | 0              | 0                | 0.0%        | 0.0%          |
| Avalied by Agencies    | 156              | 156              | 156              | 0              | 0                | 0.0%        | 0.0%          |
| Relent to GOCCs        | 0                | 0                | 0                | 0              | 0                |             |               |
| Assumed Loans          | 442              | 442              | 442              | 0              | 0                | 0.0%        | 0.0%          |
| Government Securities  | 3,883,782        | 3,938,660        | 3,933,499        | 49,717         | -5,161           | 1.3%        | -0.1%         |
| <b>External</b>        | <b>2,070,157</b> | <b>2,165,776</b> | <b>2,156,165</b> | <b>86,008</b>  | <b>-9,611</b>    | <b>4.2%</b> | <b>-0.4%</b>  |
| Loans                  | 767,510          | 823,311          | 814,348          | 46,838         | -8,963           | 6.1%        | -1.1%         |
| Direct                 | 767,510          | 823,311          | 814,348          | 46,838         | -8,963           | 6.1%        | -1.1%         |
| Avalied by Agencies    | 739,748          | 795,070          | 787,062          | 47,314         | -8,008           | 6.4%        | -1.0%         |
| Relent to GOCCs        | 27,762           | 28,241           | 27,286           | -476           | -955             | -1.7%       | -3.4%         |
| Assumed Loans          | 0                | 0                | 0                | 0              | 0                |             |               |
| Government Securities  | 1,302,647        | 1,342,465        | 1,341,817        | 39,170         | -648             | 3.0%        | 0.0%          |
| <b>Forex Rate Used</b> | 47.150           | 49.747           | 47.769           |                |                  |             |               |

Source: Bureau of the Treasury

The Government saw improvements on its debt sustainability as the debt-to-GDP ratio continued to narrow to 42.1 percent from 44.7 percent a year ago. Prudent fiscal management allowed for a moderate increment in debt even as economic growth remained steady. This combination resulted in lower debt-to-GDP ratio.

In addition, the structure and characteristics of NG's debt portfolio shielded the Government from market risks and swings:

- The debt structure maintained minimal exposure to unfavorable swings in interest rates as only 8.64 percent of the total was subject to resetting, limiting the sensitivity of interest payments to volatile market conditions.

- Average maturity of NG debt is 10.05 years long residing at the upper bound of the medium-term target of 7-10 years. Domestic and external debt has residual maturities of 8.73 and 12.17 years, respectively.
- Weighted average interest rate (WAIR) for total NG debt has remained low and stable at 4.99 percent from 5.19 percent in 2015
- The currency mix indicates moderate exposure to adverse adjustments in foreign exchange. Based on value, Peso-denominated obligations account for 66 percent of the total; followed by USD, JPY, and EUR at 27 percent, 6 percent and 1 percent, respectively. Year-on-year, the currency mix has been kept fairly stable.



# MOBILIZING INTERNATIONAL SUPPORT FOR PRIORITY PROJECTS

**W**ith the goal of maximizing concessional financing, effectively utilizing foreign technology and expertise to support development priorities, and supporting the debt management strategy of the National Government (e.g., target financing mix) for 2016, the DOF secured **P31.7 billion** (about USD634.0 million) comprising new, **concessional Official Development Assistance (ODA) loans and grants** to finance **14 projects** in the areas of Infrastructure, Development and Governance, and Institutions Development.

The National Government (NG) mobilized new loans estimated at **P30.2 billion (USD604.4 million)** from bilateral partners. These include the JPY16.5 billion (about USD185 million) Maritime Safety Capability Improvement Project for the Philippine Coast Guard (Phase 2) of the Department of Transportation (DOTr) – Philippine Coast Guard (PCG) from the Japan International Cooperation Agency (JICA), and the USD100.1 million Panguil Bay Bridge Project from the Export-Import Bank of Korea (KEXIM)-Economic Development Cooperation Fund.

Furthermore, the Department was able to secure a USD250 million loan from the Asian Development Bank for the Local **Government Finance and Fiscal Decentralization Reform Program - Subprogram 2 (LGFFDR2)** on 5 December 2016. LGFFDR2 aims to improve LGU service delivery through policy reform actions aimed at (i) developing an adequate and equitable resource framework for fiscal sustainability, (ii) strengthening public financial management system, (iii) fostering good local governance, transparency, and accountability, and (iv) creating a fiscal framework conducive to inclusive growth.

The DOF also sourced foreign grants totaling to P1.48 billion (or USD29.58 million) from development partners. Among these projects are those designed to support peace and development activities.

These are the EUR500,000 (about USD521,000) Community Peace Dividends Fund of the Office of the Presidential Adviser on the Peace Process (OPAPP) from the Spanish Agency for International Development Cooperation (AECID); the USD3.0 million Restoring Agricultural Livelihoods in Conflict Affected Communities in Cotabato Province Project of the Department of Agriculture from the Food and Agriculture Organization; and the SAR37.5 million (USD10 million) Reconstruction of Zamboanga City Project from the Saudi Fund for Development.

**In support of the external financing requirements of GAA Fiscal Year 2016**, the DOF worked towards ensuring the timely and full drawdown of the program loan (for general budgetary support purposes) amounting to EUR50 million from the French Development Agency (Agence Française de Développement) in October 2016.

During the official visit of President Duterte to China on 19-20 October 2016, the Philippine Government and the Chinese Government executed two (2) Memoranda of Understanding and one (1) Grant Agreement. These include financing from the Ministry of Commerce of China (MOFCOM) through the RMB100 million (about USD15 million) Agreement on Economic and Technical Cooperation grant for Anti-Illegal Drugs and Law Enforcement Security Cooperation to benefit Department of Health (DOH), Philippine National Police (PNP), Philippine Drug Enforcement Agency (PDEA), and Office of the President (OP).

On the other hand, the official visit of President Duterte to Japan on 25-27 October 2016 resulted to, among others, the signing of the exchange of notes to support the financing of JPY4.93 billion (USD40 million) for the Harnessing Agribusiness Opportunities through Robust and Vibrant Entrepreneurship Supportive of Peaceful Transformation (HARVEST) of Land Bank of the Philippines (LBP).

In line with the Duterte Administration's priority projects, the DOF also engaged with bilateral partners for the **financing of the conduct of feasibility study** for the (i) New Cebu International Container Port Project of DOTr; (ii) Drainage System in Metro Manila of the Department of Public Works and Highways (DPWH), and the (iii) Rural Agro-Industrial Partnership for Inclusive Development and Growth (RAPID Growth) of the Department of Trade and Industry (DTI).

## SPEARHEADING POLICY REFORMS RELATED TO FOREIGN FINANCING

Cutting bureaucratic red tape in government processes is a directive of the Duterte Administration. This is consistent with the reforms initiated by the DOF since 2015. The reforms encompassed include (i) supporting the move to increase the project cost floor that will be subjected to the Investment Coordination Committee (ICC)/ NEDA Board review; (ii) drafting of the Executive Order to streamline procedures and requirements for the issuance of Special Authority to negotiate and sign international agreements covering borrowings, guarantees, and foreign grants; and (iii) spearheading efforts to consolidate, streamline and enhance the guidelines and procedures relative to **processing foreign loan and/or grant-assisted programs and projects, including the budgeting and accounting guidelines.**

The policy reforms led by the Department's International Finance Group (IFG) are geared toward the improvement and enhancement of transparency and efficiency of mobilizing international finance sources to support delivery of public goods and services.

## BOLSTERING LEADERSHIP ROLE ON INTERNATIONAL FINANCE AND COOPERATION

The DOF has also continued to strengthen its presence in the global community through its involvement in international and development finance discussions.

The DOF led the negotiation and facilitation of membership of the Philippines to the Asian Infrastructure Investment Bank (AIIB). President Duterte signed the instrument of ratification on 19 October 2016 which was concurred by the Philippine Senate on 05 December 2016.

## ...AND SPURRED GLOBAL ATTENTION TO SUPPORT REQUIREMENTS OF THE MOST VULNERABLE COUNTRIES TO THE EFFECTS OF CLIMATE CHANGE

Through the Vulnerable Twenty Group of Finance Ministers (V20), the DOF spearheaded Ministerial-level dialogue among vulnerable countries, developed countries, and international partners to open the lines of economic and financial cooperation and understanding on climate finance. Of recent, with the Philippines serving as chair until October 2016, the Global Facility for Disaster Reduction and Recovery (GFDRR) provided support of technical assistance valued at **USD400,000** to support V20 activities.

During the 2016 World Humanitarian Summit in Istanbul, Turkey, the DOF<sup>1</sup> delivered the country statement, including the **launching of the Global Preparedness Partnership (GPP)**, a proposed partnership between the V20 donors and multilateral organizations to strengthen preparedness

<sup>1</sup> National Treasurer Roberto Tan, Jr. represented the DOF.



# MOBILIZING INTERNATIONAL SUPPORT FOR PRIORITY PROJECTS

of the most vulnerable, at-risk countries. The V20 also continues to discuss support for activities that will enable its member countries to manage climate and disaster risks such as through studying financial protection strategies and risk pooling mechanisms.

As chair of the People's Survival Fund (PSF) Board, the DOF initiated the following: (1) the updating of the PSF manual that will better guide the funding operations, (2) secured allocation of an initial P60 million to serve as the **PSF's project development grant facility to assist LGUs in preparing proposals** that will meet PSF criteria, and (3) facilitated the **approval of two (2) projects totaling P119.7 million in November 2016** - P39 million for Disaster Risk Reduction and Management Response as Coping/Adaptation Mechanism to Resiliency Project of Lanuza, Surigao del Sur and P80.7 million Siargao Climate Field School for Farmers and Fisherfolks Project of Del Carmen, Surigao del Norte.

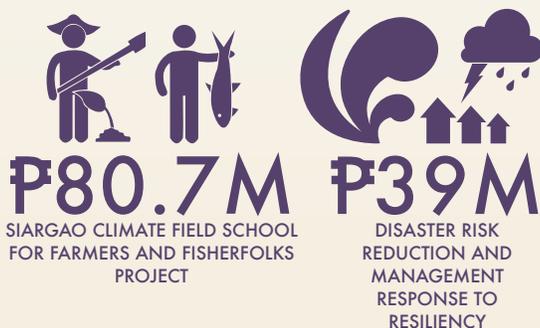
## ADVANCING THE PHILIPPINES DISASTER RISK FINANCING AND INSURANCE (DRFI) STRATEGY

The Philippine DRFI Strategy is aimed at managing the financial effects of natural disasters. Specifically, it seeks to: (1) **Maintain sound fiscal health** at the national government level; (2) **Develop sustainable financing mechanisms** for local government units, and (3) **Reduce the impact on the poorest and most vulnerable.**

**On the national level,** the country currently has **contingent credit line in place** which is the Second Disaster Risk Management Development Policy Loan with a Catastrophe-Deferred Drawdown Option (CAT-DDO2) being made available by the World Bank (WB). The USD500 million CATDDO2 will become available for disbursement after a declaration of a state of emergency due to a natural disaster. The Philippines Catastrophe Risk Model completed in 2014 is constantly being updated. The risk model enables the current efforts of Government of the Philippines (GPH) to **quantify contingent liabilities arising from disasters**, which will help determine the appropriate kind of financing for a certain level of disaster loss. **On the local level, preparations are underway for the implementation of the Local Disaster Resilience Insurance Fund,** which aims to ensure that local governments are provided with adequate funds to be able to respond quickly to disasters through availing themselves of an innovative disaster insurance mechanism being developed by GSIS.

TWO APPROVED PROJECTS WORTH

**₱119.7M**



*The DOF completed in less than 90 days into the Duterte Administration the First package of the CTRP envisioned to be the “game-changing” tool to realize the government’s priority agenda of sustaining high growth and making its benefits felt by all sectors in all regions.*

# LEGISLATIVE AGENDA

**T**ax and Fiscal Policy Studies, Initiatives, and Participation in 2016:

## 1. **DOF Issuance of Joint Administrative Order No. 01-2016 on the Rules and Regulations implementing Republic Act No. 10708, Otherwise Known as the Tax Incentives Management and Transparency Act (TIMTA)**

The Implementing Rules and Regulations (IRR) (DOF-DTU Joint Administrative Order No. 01-2016) was approved on 23 June 2016 and took effect 21 July 2016, fifteen (15) days after its publication on 6 July 2016 in the Manila Standard.

Under the law, all Registered Business Entity (RBEs) are required to file their tax returns and pay their tax liabilities using the electronic system for filing and payment of taxes of the BIR on or before the deadline as provided under that National Internal Revenue Code (NIRC), as amended.

RBEs availing of incentives administered by the Investment Promotion Agencies (IPAs) shall file with their respective IPAs an Annual Tax Incentives Report within thirty (30) days from the statutory deadline for filing of the Final Adjustment Return for Income Tax and payment of tax due thereon, if any. Annual Tax Incentives Report refers to the report to be submitted by RBEs to its respective IPA containing complete information on income-based tax incentives, value-added tax (VAT) incentives, duty exemptions, deductions, credits, exclusions from the tax base and other information required under the IRR.

## 2. **2<sup>nd</sup> International Tax Forum (ITF)**

The DOF hosted the 2nd International Tax Forum (ITF) held at Manila Peninsula on 27-28 October 2016. The Forum provided valuable insights on tax policy and administration, focusing on policy tools to enhance economic development. It served as an opportunity for the Philippines and its Association of Southeast Asian Nations (ASEAN) neighbors to discuss and share experiences, information, and developments on tax reforms and administrative issues in the context of reducing inequality and ensuring inclusive growth.

Participants mainly were government tax officials and administrators from ASEAN and emerging economies, fiscal experts from Organization for Economic Cooperation and Development (OECD), World Bank (WB), International Monetary Fund (IMF), Asian Development Bank (ADB), and other multilateral organizations, fiscal experts from selected developed countries, Philippine tax policymakers and tax administrators, academics, non-governmental organizations and private sector representatives.

## 3. **Tax Reform Package (TRP)**

The DOF unveiled Package One of its Comprehensive Tax Reform Program (CTRP). Package One of the CTRP aims to lower personal income taxes (PIT) from 32 percent to 25 percent over a two-year period, except for the high-income earners to keep the rates progressive, adjusts the tax brackets by adjusting the rates to inflation and proposes a shift to a modified gross system to make payments simpler, fairer and more efficient.

To compensate for the proposed personal income tax reforms, Package One proposes to expand the value-added tax (VAT) base by eliminating certain exemptions, and restructure the excise taxes on fuel and automobiles. It also includes earmarking a quarter to a third of the revenues generated from the fuel excise tax adjustments to targeted direct transfer programs for vulnerable sectors.

The tax reform package was submitted and presented to Congress.

In crafting the tax reform plan, the DOF conducted extensive consultations with the business sector, civil society groups, former finance and economic planning officials, members of academe, economists and other stakeholders.

The tax reform plan has been endorsed by the Mindanao Business Council, the Tax Management Association of the Philippines, Philippine Institute of Certified Public Accountants (PICPA), and the Federation of Filipino-Chinese Chambers of Commerce and Industry, Inc. (FFCCII), among others.



# PRIVATIZATION AND PUBLIC-PRIVATE PARTNERSHIP (PPP)

## PRIVATIZATION

The Privatization Group serves as secretariat of the Privatization Council (PrC), a cabinet-level, inter-agency body chaired by the Secretary of Finance. Pursuant to the mandate of the PrC of overseeing the country's privatization program, the Privatization Group provides technical and administrative assistance to the former's functions of formulating privatization guidelines, approving privatization transactions, designating disposition entities, and monitoring post-privatization activities.

In 2016, the PrC approved nine properties for privatization or disposition as proposed by the following disposition entities:

- Privatization and Management Office (PMO)
  1. Luzon Aggregates, Inc.
  2. National Coconut Corporation
  3. Tala Estate
  4. Manila Bay Island Resorts, Inc.
  5. Remaining lots of the Al-Amanah Islamic Investment Bank of the Philippines
- Presidential Commission on Good Government (PCGG)
  1. Showa United Food, Inc.
  2. BBC-Legaspi Property
  3. Wigwam Compound
- National Development Company (NDC)
  1. Lease of Kamayan Realty Corporation property

The above privatization efforts resulted in remittances to the Bureau of the Treasury in the amount P657.52 million. The PMO contributed remittances amounting to P327.17 million while remittances by the PCGG amounted to P330.45 million.

**P657.62 million**

Privatization's Remittances to the Bureau of the Treasury

## PUBLIC-PRIVATE PARTNERSHIPS

In 2016, the DOF engaged in technical, legal, and financial review, evaluation, and advice on Public-Private Partnership (PPP) policies and projects:

1. Provided the financial appraisal of both the Commuter and Long-Haul lines of the North-South Railway Project – South Line for approval of the Investment Coordination Committee (ICC)<sup>2</sup> of the National Economic and Development Authority Board;
2. Reviewed contracts and drafted opinions for the Regional Prison Facilities, the Laguna Lakeshore Expressway-Dike Project, the LRT Line 2 Operations and Maintenance Project, the NLEx-SLEx Connector Road, and the Civil Registry System-Information Technology Project (Phase II) projects<sup>3</sup>;
3. Involved in conceptualizing and developing PPP-related policies such as policies and guidelines on risk allocation and mitigation which were subsequently adopted by the ICC;
4. Reviewed policies and guidelines related to key principles and terms in PPP contracts, project appraisal and contract review, and contingent liabilities which cover termination payments and materially adverse government actions;
5. Provided insights to the Philippine Stock Exchange on its proposed listing rules and guidelines for special purpose companies undertaking PPP projects; and
6. Assisted in crafting proposed amendments to the PPP legal framework and helped formulate ideas in fast-tracking the PPP program.

<sup>2</sup> The ICC evaluates the fiscal, monetary and balance of payments implications of major national projects, and recommends to the President the timetable of their implementation on a regular basis; advises the President on matters related to the domestic and foreign borrowings program; and submits a status of the fiscal, monetary and balance of payments implications of major national projects.

<sup>3</sup> Among the mentioned projects, three projects were bid out, namely, the (1) Laguna Lakeshore Expressway-Dike Project, the (2) NLEx-SLEx Connector Road and the (3) Civil-Registry System-Information Technology Project (Phase II). The last two were successfully awarded to private proponents.

# TAX ADMINISTRATION AND GOVERNANCE

## THE 3Rs OF GOVERNANCE

The RIPS, RATE and RATS continue to be the pillars of enhanced transparency and more efficient and effective tax administration and governance. These programs have contributed to sustained growth in collections.

### 1. Revenue Integrity Protection Service (RIPS)

The RIPS investigated seven (7) new individuals and filed complaints against twenty (20) others before the Office of the Ombudsman (OMB) and the Civil Service Commission (CSC). RIPS also received 36 successful resolutions from OMB and the CSC, to wit: fifteen (15) officials and employees were dismissed from service with accessory penalties of forfeiture of retirement benefits, perpetual disqualification from employment in government service, and cancellation of civil service eligibility. Seventeen (17) were suspended from service without pay, three (3) were reprimanded, and one (1) was convicted of imprisonment and fined in criminal cases.

### 2. Run After Tax Evaders (RATE)

The BIR filed a total of 71 tax fraud cases at the DOJ with estimated tax liabilities of P9.8 billion.

### 3. Run After the Smugglers (RATS)

There were six (6) RATS cases filed in 2016, five (5) of which are pending preliminary investigation and one (1) for assignment of prosecutor. The total dutiable value is P98.8 million.

## FISCAL INTELLIGENCE UNIT (FIU)

The FIU was tasked as the Department's Secretariat in the drafting, review, and public consultation of the implementing rules and regulations (IRR) of the Customs Modernization and Tariff Act (RA 10863). CMTA amended the Tariff and Customs Code of the Philippines (TCCP) with the aim of modernizing Customs rules and procedures for faster trade, reduce opportunities for corruption, improve Customs service delivery and improve supply chain.

Four (4) customs administrative orders (CAO) were finalized and signed by the Secretary of Finance and Commissioner of Customs, viz:

1. CAO No. 2-2016 regarding Imported Goods with De Minimis Value Not Subject to Duties and Taxes
2. CAO No. 3-2016 regarding Establishment of an Advance Ruling System for Valuation and Rules of Origin
3. CAO No. 5-2016 regarding Consolidated Shipment of Duty and Tax-Free "Balikbayan Boxes"
4. CAO No. 6-2016 regarding Conditionally Tax and Duty-Exempt Importation by Balikbayans, Returning, Returning Residents and Overseas Filipino Workers

In line with its mandate to gather and analyze firm and industry information, direct the development of a computer-aided risk management system to enable the enhancement of the selection process and determine and recommend audit targets to the Commissioner of Customs, the Post Entry Audit (PEA) Unit of the FIU identified two (2) importers in the oil industry; five (5) importers in the agriculture industry; 15 importers in the iron and steel industry; and four (4)



# TAX ADMINISTRATION AND GOVERNANCE

importers in the textile industry as well as 18 importers referred by the Bureau of Customs that were subjected to audit for the year 2016. These auditees underwent verification and examination for existence of potential undervaluation, misclassification and other compliance issues.

Out of the 44 identified importers from various industry that were subjected to audit, the FIU completed 31 Post-Entry Audit Findings (PEAFs), of which 26 PEAFs were released to various industry importers; five (5) were submitted for review; and four (4) BOC referrals with Final Audit Report and Recommendation (FARRs) were endorsed for release to BOC. For year 2016, the total estimated potential deficiency duties and taxes representing the establishment of FARRs covering 3,840 import entries amounted to P20.758 million.

## TAX WATCH

The Tax Watch Team comprising of staff from the OSEC, FIU and BLGF publishes the Tax Watch ads in general circulation. The campaign aims to increase transparency in tax payments and encourage people to be conscientious in paying the right taxes.

From January to June 2016, the following were published in the Tax Watch:

- a. On BOC – Plywood from China (photo on right); Tuna; Frozen Mackerel; Potato Fries; Mechanically Deboned Meat; Toluene Diisocyanate (TDI); Chicken Thigh; Pork Bellies; Frozen Beef; Buttermilk Powder; Cocoa Powder

- b. On BIR – Medical Professional from Revenue Region 7; Lawyers from Major Cities; Accountants from Metro Manila
- c. On LGU – 2014 Low Revenue Earners, by Province, Cities and Municipalities; Updated Schedule of Market Values, by Provinces and Cities

## CUSTOMS WATCH

### In Focus: Plywood

**How much do plywood importers value their products?**



HS 4412 is the Harmonized System (HS) code for plywood. In 2015, total duties and taxes for this HS Code amounted to Php 1.022 billion.

90% of all plywood value, volume, and collections was contributed by HS 441232 or plywood with at least one outer ply of non-coniferous, or non-needle-leaved, wood. For the fourth quarter of 2015 alone, around Php 256 million was collected from the 79 million kgs of this type of plywood, with value worth Php 1.5 billion.

Below are declarations of some of the 74 importers for October to December 2015.

**How can plywood from the same country be valued so differently?**

| CONSIGNEE                           | PREFERENTIAL CODE <sup>1</sup> | DUTY RATE | ESTIMATED PRICE PER BOARD <sup>2</sup> |
|-------------------------------------|--------------------------------|-----------|--|
| FORMAPLY INDUSTRIES INC             | ACFTA                          | 4%        | 2,540.64                               |
| ROLIN PANEL PRODUCTS CORPORATION    | ACFTA                          | 4%        | 1,181.88                               |
| HOCHENG PHILIPPINES CORPORATION     | ACFTA                          | 4%        | 975.12                                 |
| HUAYOU CONSTRUCTION DEVELOPMENT     | ACFTA                          | 4%        | 910.60                                 |
| INTERPHIL MARKETING                 | ACFTA                          | 4%        | 884.78                                 |
| CASTILEX TRADING CORPORATION        | ACFTA                          | 4%        | 851.38                                 |
| MANUCHAR PHILIPPINES INC.           | ACFTA                          | 4%        | 844.52                                 |
| MOLDEX PRODUCTS INC                 | ACFTA                          | 4%        | 839.42                                 |
| MATIMCO INCORPORATED                | ACFTA                          | 4%        | 775.27                                 |
| K.U.S STRUCTURAL COMPONENTS INC.    | ACFTA                          | 4%        | 747.95                                 |
| ▶ ES HERNANDEZ CONSTRUCTION         |                                | 15%       | 385.24                                 |
| DON MANDIN ENTERPRISE               | ACFTA                          | 4%        | 382.40                                 |
| MARPE ENTERPRISE                    | ACFTA                          | 4%        | 380.77                                 |
| MINTRADE CORPORATION                | ACFTA                          | 4%        | 378.10                                 |
| SEVENTH HUSSAR INTL. TRADING CORP.  | ACFTA                          | 4%        | 374.55                                 |
| CHARLYN AGRICULTURAL PRODUCTS IMPOR | ACFTA                          | 4%        | 364.10                                 |
| ▶ SANFRED TRADING                   |                                | 15%       | 349.33                                 |
| QUEEN E ENTERPRISES                 | ACFTA                          | 4%        | 347.68                                 |
| YTL3 PHILKORE CORP.                 | ACFTA                          | 4%        | 291.14                                 |
| ▶ COPPERFIELD MARKETING             |                                | 15%       | 145.69                                 |

<sup>1</sup> - Rightlisted as a declaration of consignee who did not avail of the ACFTA, or the ASEAN-China Free Trade Agreement. The import duty rate from HS79040100 Code 1010 is 10%, while those under ACFTA are exempt to pay duty 0%.  
<sup>2</sup> - Estimated price per board is 110 square meters.  
<sup>3</sup> - 90% of all HS 441232 imports for the fourth quarter came from China.

**Building the nation starts with proper valuation.**

Visit the Customs website ([www.customs.gov.ph](http://www.customs.gov.ph)) or the Customs ng Bayan microsite ([www.dof.gov.ph/customsngbayan](http://www.dof.gov.ph/customsngbayan)), and follow @CustomsPH on Twitter for information and updates on BOC reforms. Check out the Customs dashboard in the Open Data Portal ([data.gov.ph](http://data.gov.ph)). Do you know of any irregular practices or smuggling activities? Submit your anonymous tips at [www.paranglayan.com](http://www.paranglayan.com).

## PHILIPPINE EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE (PH-EITI )

1. The Philippines received the 2016 EITI Chair's Award for "impactful implementation" of EITI during the EITI Global Conference on February 2016 in Lima, Peru.
2. The second PH-EITI Country Report was presented during the National Conference organized on 16 February 2016. The Report's findings and recommendations were presented to more than 300 stakeholders from national and regional government agencies, industries, civil society organizations, academe, media and other relevant stakeholders.
3. PH-EITI LGU Roadshow, titled "PH-EITI: Making Transparency Work for You" was conducted in Davao City, Cebu City, Baguio City, Manila and Butuan City from August to September 2016. Local forums were conducted to communicate the findings and recommendations of the second PH-EITI Country Report to local communities; gather feedback from stakeholders concerned; and discuss extractive industry related issues, policy gaps and plans to address these gaps. A workshop on the Environment and Natural Resource Data Management Tool (ENRDMT) was conducted after every forum to introduce the online reporting system of the Bureau of Local Government Finance to local treasurers and accountants.

4. In connection with the status of government agency actions, a series of meetings with the NCIP was conducted from June to December 2016 to discuss the roll-out of the NCIP Monitoring Tool on IP Royalties and the implementation of Memorandums of Agreement (MOA).

The Monitoring Tool was jointly developed by the PH-EITI Secretariat and the NCIP in response to the recommendation of the PH-EITI MSG from the first PH-EITI Country Report to establish a system for monitoring the revenue/benefit streams flowing to the IPs and ICCs affected by extractive operations. The tool was presented for deliberation and officially approved by the NCIP Commission En Banc during its meeting on November 26, 2015 in Dipolog City (Commission En Banc Resolution No. 06-033-2015).

The PH-EITI Secretariat is currently organizing, in partnership with the NCIP and Bantay Kita, a consultation workshop for piloting implementation of the NCIP Monitoring Tool to be held on December 27, 2016 in Davao City. The pilot activity will be participated in by representatives of the NCIP Central Office and Regional Offices (Region XI and Caraga) and ICC/IP as well as company representatives in selected ancestral domain areas in the identified regions.

5. On 31 December 2016, PH-EITI published and submitted to the EITI International Board the 3rd Country Report entitled "Extracting value in transparency: The Third PH-EITI Report (FY 2014)."



# FINANCIAL INCLUSION INITIATIVES IN 2016

In 2016, the Department of Finance through the National Credit Council (NCC) continued to advocate for the promotion of financial inclusion. Public and private partnership and collaboration with international organizations for funding and technical assistance complemented the effort of the government to enhance the lives of every Filipino and promote inclusive growth in the country.

## PROMOTION OF MICROINSURANCE

1. Signing of Memorandum of Understanding (MOU) with Insurance Commission (IC) and the Department of Health (DOH) for the Health Microinsurance<sup>4</sup> Framework. This MOU has led to the development and offering by private insurance providers of various health microinsurance products that specifically cater to the poor and low income group e.g, a product with P750 annual fee (at 2 pesos/day) covers the insured with P30,000 emergency assistance while in confinement in an accredited hospital's emergency room].
2. Development of Microinsurance Distribution Channels and Consumer Protection Framework

3. Conduct of financial literacy campaigns on microinsurance in two island groups: 1) Visayas consultation held in Tacloban City; and 2) Mindanao consultation held in Cagayan de Oro City. The Luzon financial literacy campaign would be held in Legazpi City in January 2017.
4. Formulation of the Draft Memorandum of Undertaking (MOU) by a technical working group for the Operationalization of Agriculture and Parametric-Based Microinsurance Framework to address the challenges faced by private insurance providers in developing agriculture microinsurance products. The TWG is composed of the Department of Finance, Insurance Commission, Philippine Crop Insurance Corporation, Philippine Statistics Authority, Philippine Atmospheric Geophysical and Astronomical Services Administration, Department of Agriculture's Agricultural Training Institute, and Climate Change Commission.

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<sup>4</sup> Health microinsurance complements/supplements the government's social health insurance (Philhealth).

## REFORM ON THE PHILIPPINES' SECURED TRANSACTIONS

The Reform also known as Personal Properties Securities Bill aims to harmonize the Philippine Chattel Mortgage Law and Other Related Laws on secured transactions. The objectives of the initiative is to broaden the utilization of movable assets as collateral for loans by micro, small and medium enterprises (MSMEs) and to increase access to credit of micro enterprises.

The project initiated the filing of Senate Bill No. 354 – An Act Strengthening the Secured Transactions Legal Framework in the Philippines, Which Shall Provide for the Creation, Perfection, Determination of Priority, Establishment of a Notice Registry, and Enforcement of Security Interests in Personal Property, and for Other Purposes. A parallel initiative advances in the House of Representatives.

Discussions on the Secured Transactions Reform in the APEC Financial Inclusion Development Network (FIDN) continued in the two FIDN meetings conducted this year.

## INTERNATIONAL ALLIANCE

In 2016, the DOF-NCC has also forged partnership with the Asian Development Bank (ADB), Japan International Cooperation Agency (JICA), German International Cooperation (GIZ), and Economic Research Institute for ASEAN and East Asia (ERIA) to shore up the financial inclusion initiatives of the government.

## SIGNING OF THE IRR OF R.A.NO. 10693 OR THE MICROFINANCE NGOS ACT

The Implementing Rules and Regulations (IRR) of Republic Act (R.A.) No. 10693 or the Microfinance Non-government Organizations (NGOs) Act was signed by Securities and Exchange Commission Chairperson Teresita J. Herbosa, DOF Secretary Carlos G. Dominguez III, Department of Trade and Industry (DTI) Secretary Ramon M. Lopez, and Department of Social Welfare and Development Secretary Judy M. Taguiwalo on 16 August 2016. The Microfinance NGOs Act aims to help eradicate poverty by supporting and working in partnership with qualified NGOs in promoting financially inclusive and pro-poor financial and credit services.

The IRR provides for the creation of Microfinance NGO Regulatory Council composed of SEC, DOF, DTI, DSWD and three (3) representatives from the Microfinance NGO sector. The Council shall implement an accreditation system for Microfinance NGOs guided by the standards of financial performance, social performance and governance. The IRR requires accredited Microfinance NGOs to provide microcredit and financial literacy programs, as well as microcredit and Capital Build-Up or microsavings programs and services. It grants duly accredited Microfinance NGOs with preferential tax treatment on microfinance operations; access to government programs and projects; and access to technical assistance from government, donors and other support organizations.



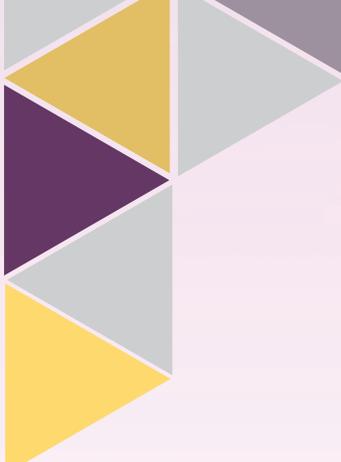
# FORGING GLOBAL ALLIANCES

## SUSTAINING FINANCIAL INTEGRATION IN THE ASEAN ECONOMIC COMMUNITY

In its engagement with the Association of Southeast Asian Nations (ASEAN), the DOF delivered the Philippines' Seventh Package of Financial Services Liberalization Commitments (7<sup>th</sup> Package), in support of the continued development of the ASEAN Economic Community (AEC). Under the 7<sup>th</sup> Package, the Philippines has granted greater market access in the banking and securities sectors for ASEAN Member States. This is expected to translate to more access to financial services and products for Filipinos, diffusion in advanced financial services practices and technologies from major ASEAN financial markets such as Singapore, and jobs creation in the financial services sector.

As the Chair of the Working Committee on Financial Services Liberalization (WC-FSL), the DOF also oversaw the drafting of the Financial Services Annex of the ASEAN Trade in Services Agreement. The said document outlines the commitments in the financial services sector for the 10-nation ASEAN bloc. Under the stewardship of the Department, the drafting of the Financial Services Annex has seen commendable progress, with only a few more articles still pending consensus from the ASEAN Member States.

Under the Chairmanship of the DOF, the WC-FSL also established the ASEAN Insurance Forum (AIFo). The AIFo is envisioned to serve as a venue for policymakers, insurance regulators and insurance sector stakeholders, including the private sector, of ASEAN Member States to work together towards the integration of the insurance sector in ASEAN. Insurance integration in the region is seen as vital for the operation of the AEC because it provides support to trade, such as through Maritime, Aviation, and Goods in Transit (MAT) Insurance. Besides tackling MAT Insurance, the AIFo as well as other insurance integration efforts in ASEAN will also pay attention to regional cooperation in catastrophic risk insurance given the high vulnerability of most ASEAN Member States to natural disasters.



## SHEPHERDING ASEAN'S ENGAGEMENT WITH THE GLOBAL COMMUNITY

With the ASEAN's vision of reaching out to the global economy, the DOF has also been actively participating in the ASEAN's engagement of forging greater ties with its major economic partners. In the formation of the Regional Comprehensive Economic Partnership (RCEP) which is composed of the ASEAN plus Australia, China, India, Japan, New Zealand and South Korea, the Department International Finance Policy Office (IFPO) serves as the Chair for the Sub-Working Group on Financial Services (SWG-Fin). The SWG-Fin is the venue for RCEP participating countries to discuss commitments in the financial services sector for the RCEP agreement. Under the DOF's Chairmanship, the RCEP participating countries have been working on the creation of the Annex on Financial Services that will serve as part of the RCEP Agreement. When formed, the RCEP will stand as one of the largest free-trade-areas in the globe, accounting for about 30% of world GDP.

## FOSTERING FINANCIAL COOPERATION IN THE ASIA- PACIFIC

Following the successful chairmanship of the APEC Finance Ministers' Process (FMP) in 2015, the DOF continues to foster cooperation across APEC Member Economies through the Cebu Action Plan (CAP). The Department lent strong support for the APEC FMP Peruvian Chairmanship in the adoption of the Strategy for the Implementation of the CAP, which seeks to generate concrete cooperative outputs among APEC Member Economies and partner international institutions in the CAP initiatives on Financial Integration, Fiscal Transparency and Reforms, Financial Resilience and Infrastructure Financing. Moreover, the DOF also continues its efforts of promoting Financial Inclusion across the APEC region through the hosting of two conferences for the Financial Infrastructure Development Network in Manila for this year.

*Under the DOF's Chairmanship, the RCEP participating countries have been working on the creation of the Annex on Financial Services that will serve as part of the RCEP Agreement.*



# LOCAL ECONOMIC DEVELOPMENT

The Bureau of Local Government Finance (BLGF), being the focal agency and authority in local finance, continues to support and advocate policy initiatives that will further enhance local government units' (LGUs) fiscal management, collection enforcement and financial performance.

For the past year, BLGF's strategies were focused on continuing good governance reforms through resource mobilization programs, good governance and transparency initiatives, implementation of special projects, enhancement of existing systems, networking and linking with international partners and capacity development programs for BLGF and LGUs.

## RESOURCE MOBILIZATION & REVENUE GENERATION

### Consolidated LGU Financial Performance

Locally sourced revenues have barely reached a little over 1 percent of the country's GDP. In 2016, local collection efforts accounted

for 1.03 percent of the GDP. Local government units (LGUs), in aggregate terms, continue to rely on the national transfers, particularly from the Internal Revenue Allotment (IRA), in relation to own revenue sources, to support the delivery of public goods and services. In 2016 the IRA dependence (ratio of IRA to annual regular income) reached 67 percent while the dependence in locally-sourced revenues is only 30 percent (refer to Figure 4).

*Overall, IRA, still considerably supports most of the budgetary requirements of LGUs, and positively contributes to allowing LGUs to invest on programs and projects that should improve local growth and development.*

FIGURE 4 - LSR AND IRA SHARES TO ARI AND GDP

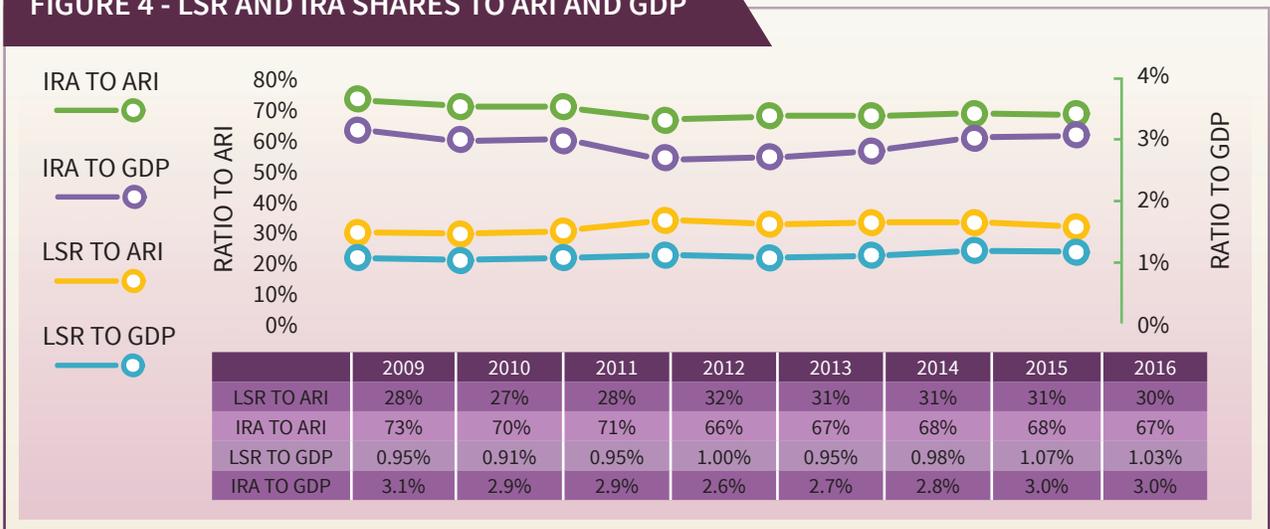
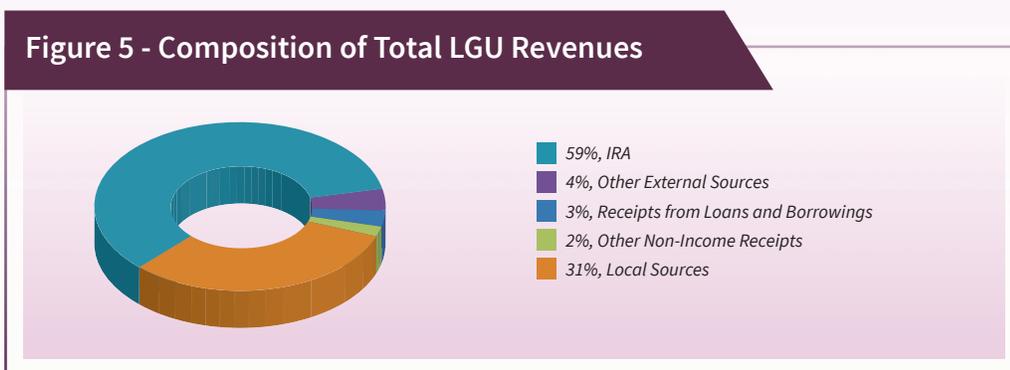


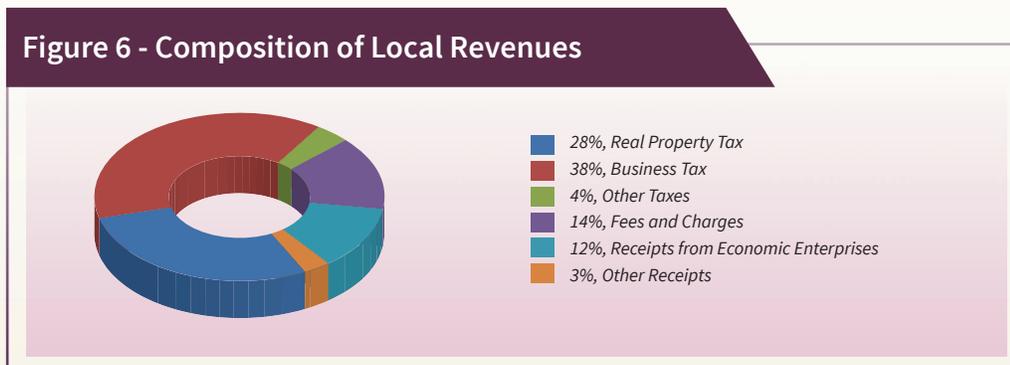
Figure 5 below shows that IRA represents 59 percent of the over-all LGU revenues which includes non-income receipt, which continue to overshadow the local revenue performance. The continued dependence on IRA reflects that many LGUs have not fully maximized their own revenue-raising powers granted to them by the Local Government Code.

Local collections are mainly sourced from local business taxes (BT) at 38 percent, followed by Real Property Taxes (RPT) at 28 percent, Fees and Charges (FC) at 14 percent and Receipts from Economic Enterprise (REE) at 12 percent. For the past 8 years, BT has surpassed the RPT – which was considered as the most stable revenue source of the LGUs – as the main contributor to LGUs’ own-sourced revenues.

**Figure 5 - Composition of Total LGU Revenues**



**Figure 6 - Composition of Local Revenues**



In 2016, local governments’ total revenues reached P574.85 billion which is 7.8 percent higher than the 2015 collection.

Among the LGU types, cities generated the highest total revenues of P240.14 billion, followed by municipalities with P197.97 billion and provinces with P136.74 billion.

**Table 8 - LGU Revenues by LGU Type in 2016 (In Billion Pesos)**

| Particulars                        | Province      | City          | Municipality  | Total         |
|------------------------------------|---------------|---------------|---------------|---------------|
| Local Sources                      | 23.68         | 123.46        | 32.68         | <b>179.82</b> |
| IRA                                | 98.34         | 98.03         | 144.89        | <b>341.26</b> |
| Other External Sources             | 4.69          | 8.76          | 11.52         | <b>24.97</b>  |
| Receipts from Loans and Borrowings | 5.08          | 5.64          | 4.09          | <b>14.80</b>  |
| Other Non-Income Receipts          | 4.95          | 4.25          | 4.80          | 14.00         |
| <b>Total</b>                       | <b>136.74</b> | <b>240.14</b> | <b>197.97</b> | <b>574.85</b> |



# LOCAL ECONOMIC DEVELOPMENT

As illustrated below, cities are the most self-sufficient with 51 percent of their revenues coming from local sources (see Figure 6), with 41 percent were contributed by IRA and the remaining 8 percent from other revenue sources. Meanwhile, for the provinces and municipalities, the IRA has continuously been the major revenue source, contributing 72 percent and 73 percent of their total revenues, respectively.

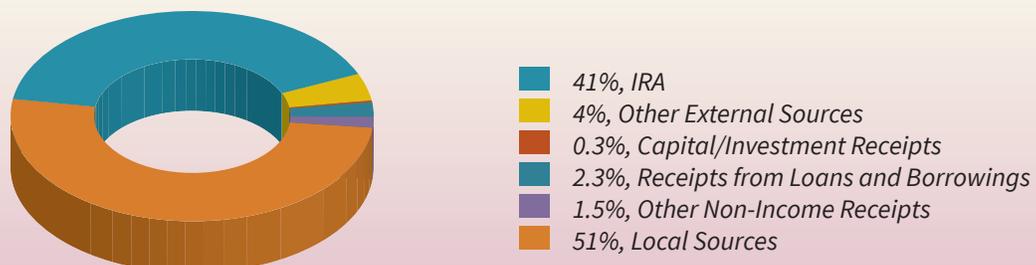
**Figure 7 - Revenue Sources of Provinces**



**Figure 8 - Revenue Sources of Municipalities**

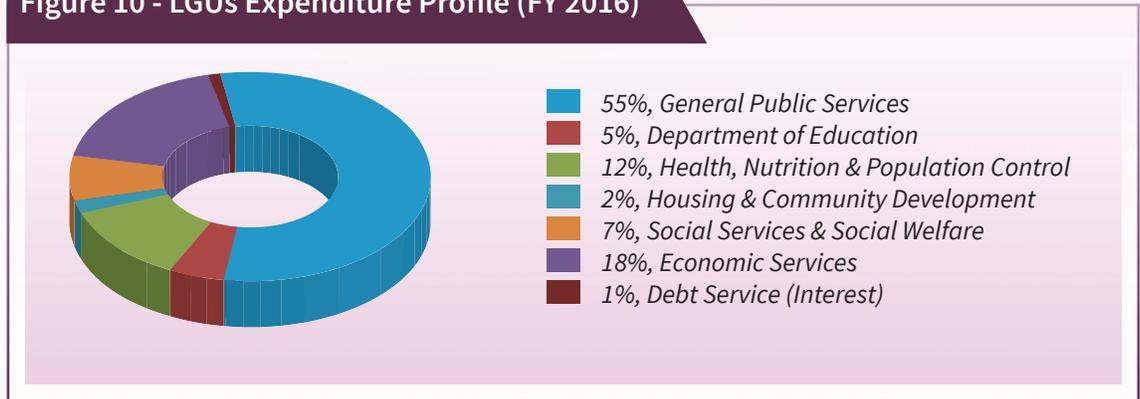


**Figure 9 - Revenue Sources of Cities**



On the current operating expenditures, large percentage of LGUs expenses went to General Public Services (55 percent), followed by Economic Services (18 percent), Health, Nutrition and Population Control (12 percent), Social Services and Social Welfare (7 percent), and other sectors with 8 percent.

**Figure 10 - LGUs Expenditure Profile (FY 2016)**



### Local Government Loans and Borrowings

The LGUs outstanding loans from Government and Private Financial Institutions posted a very minimal increase of 13 percent from P78.05 billion in 2015 to P86.02 billion in 2016. Outstanding local government debt as a percentage of GDP is still very low accounting for less than 1 percent of the country's GDP. The levels of outstanding loans indicate a relatively small increase in the number of LGUs with debt from GFIs through the years.

LGUs reported receipts loans and borrowings amounted to P14.80 billion constituting 0.10 percent only of the country's GDP. Moreover, expenditures for debt servicing is 3.70 percent of the total LGU expenditures.

### COUNTRYSIDE DEVELOPMENT TOWARDS A MORE INCLUSIVE AND SUSTAINABLE DEVELOPMENT

For 18 years, the Department of Finance through the Municipal Development Fund Office (MDFO) has responded to the financial

needs of Local Government Units (LGUs) for project development. It has evolved from only being Fund Conduit of Foreign Assisted Projects (FAPs) for LGUs, to Administrator of the Municipal Development Fund (MDF), Implementer of Official Development Assistance (ODA), and most recently as Fund Administrator of the People Survival Fund (PSF) through a Memorandum of Agreement between the Climate Change Commission (CCC) and DOF-MDFO signed on 27 October 2016.

### PERFORMANCE AND STATUS OF THE MUNICIPAL DEVELOPMENT FUND (MDF)

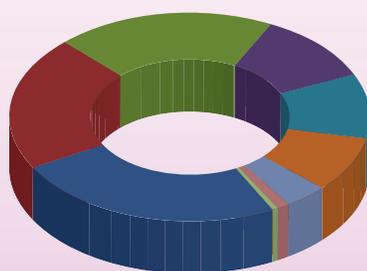
For 2016, the MDF-SGF increased by P692.8 million or 3.85 percent from 2015, because of repayments of LGUs, and interest earnings from both investments and savings account.

The availment of MDF has increased by about 6.42 percent or P651.2 million distributed among 20 approved subprojects of 19 LGUs.



# LOCAL ECONOMIC DEVELOPMENT

Figure 11 - MDF Approval for the Year 2016 by Subproject Type



(Project Cost in P Million)

- 24.48%, Municipal Hall = 154.86
- 21.00%, Water Supply System = 132.87
- 19.65%, Heavy Equipment = 124.34
- 10.98%, Public Market = 69.45
- 9.96%, Evacuation Center = 63.00
- 8.47%, Transport Terminal = 53.60
- 3.92%, Bridge Financing = 24.79
- 1.23%, Equity Loan = 7.80
- 0.32%, Detailed Architectural and Engineering Design = 2.00

## MDFO-PGB APPROVED P651.2 MILLION FROM THE MDF FOR VARIOUS LGU PROJECTS IN 2016

The top 5 developmental subprojects availed by the LGUs includes: (a) Municipal Halls = P154.86 million (5 LGUs); (b) Water Supply Systems = P132.9 million (4 LGUs); (c) Heavy Equipment for disaster management, prevention and rehabilitation at P124.3 million (4 LGUs); (d) Public Markets at P69.4 million (2 LGUs); and (e) Evacuation Centers at P63 million (1 LGU). Other subproject types were Bridge Financing for Health Sector Reform Agenda Support Program (HSRASP), Detailed Architectural and Engineering Design for School Building, Equity Loan for Philippine Rural Development Project (PRDP), and Integrated Enterprises Terminal Complex.

## Major Policies approved by the MDFO-PGB in 2016

### 1. Reduction of Interest Rate on Unreleased Funds of Approved LGU Loans

On 01 March 2016, the MDFO-PGB has approved the adjustment of interest rate for unreleased loan portion of 32 LGU loans under MDFP and ARCP II Equity Financing Facilities through MDFO-PGB Resolution No. 07-03-01-20 16.

### 2. Revenue Administration and Modernization Program (RAMP) for LGUs

In partnership with the BLGF, the creation of the Revenue Administration and Modernization Program (RAMP) was made possible with the approval of the MDFO-PGB on 29 November 2016 through MDFO-PGB Resolution No. 15-11-29-2016.



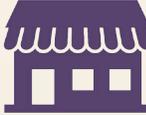
**P154.86M**  
WORTH OF  
MUNICIPAL HALLS



**P132.9M**  
WORTH OF WATER  
SUPPLY SYSTEMS



**P124.3M**  
WORTH OF HEAVY  
EQUIPMENT FOR  
DISASTER  
MANAGEMENT AND  
REHABILITATION



**P69.4M**  
WORTH OF  
PUBLIC  
MARKETS



**P63M**  
WORTH OF  
EVACUATION  
CENTERS

# UTILIZING TECHNOLOGY FOR BETTER DELIVERY OF SERVICES

## DOF INFORMATION SECURITY MANAGEMENT SYSTEM

In 2016, the Central Management Information Office-Information Technology (CMIO-IT) adopted the Information Security Management System (ISMS) and strategized an approach by creating a set of policies and procedures for systematically managing the DOF sensitive data specifically lodged in the DOF Datacenter. The goal of the CMIO-IT in adopting the ISMS is to minimize risk and protect all data and information at the Department of Finance, and ultimately maintaining its confidentiality, integrity and availability.

### THE FOLLOWING ICT POLICIES HAVE BEEN CRAFTED AND IMPLEMENTED BY THE CMIO-IT:

1. DOF Information Security Policy
2. Personal Computer Usage Policy
3. DOF Internet Monitoring and Filtering Policy
4. DOF Information Sensitivity Policy
5. DOF ICT Support Policy
6. DOF Electronic Mail (E-MAIL) Policy
7. DOF Public Accessible Website Administration Policy
8. Bring-Your-Own-Device (BYOD) Security Policy
9. DOF Data Center Access Control Policy
10. DOF Data Back-Up And Recovery Policy
11. DOF Information Technology (IT) Business Continuity Policy
12. DOF Cryptographic Controls Policy
13. DOF Secure Application Development Policy
14. DOF ICT Preventive Maintenance Policy

### Information Security/Cybersecurity Awareness Training

One of the mandatory requirements of Information Security Management System is the conduct of Information Security awareness for all DOF employees including regular, outsourced, contractual and other service providers. The aim of Information Security Awareness Training is to improve the understanding and coherence of the employees of the need to protect DOF information and ICT resources, and to define their roles in securing DOF information.

*The goal of the CMIO-IT in adopting the ISMS is to minimize risk and protect all data and information at the Department of Finance, and ultimately maintaining its confidentiality, integrity and availability.*



# UTILIZING TECHNOLOGY FOR BETTER DELIVERY OF SERVICES

▶ *Deputy Commissioner Dondi Mapa  
of the National Privacy Commission*

▼ *Information Security Awareness with  
Security Personnel*

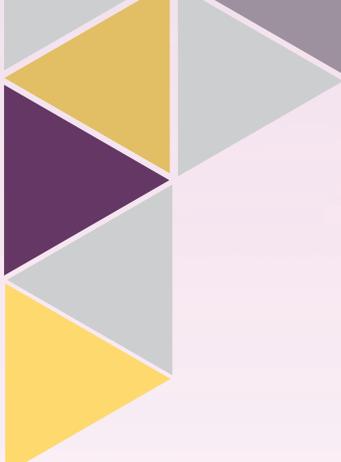


## ISO 27001:2013 CERTIFICATION

In order to weigh whether the DOF Information Security Management System is compliant with the international standards, the CMIO-IT engaged the services of TUV Rheinland to audit and certify the DOF Data center operations. The Stage 1 audit was conducted in September 20, 2016 with minor findings to be resolved before the Stage 2 audit. The Stage 2 audit was conducted in October 26-27, 2016 where the DOF CMIO-IT was recommended for **ISO 27001:2013 Certification**.



▲ *Information Security Awareness Training  
Dir. Angie Sarmiento of CMIO-IT*



# BUILDING A BUREAUCRACY FOR THE FUTURE

In 2016, the DOF conducted trainings as part of the Professional Development Program for its employees through Friday Learning Sessions and in-house seminars. The Friday Learning Session included 3 Batches of Museo ng Bangko Sentral ng Pilipinas and Metropolitan Museum of Manila Tour; 3 Batches of Sining Alamin: CCP Arts Appreciation Tour; and topics on Cybersecurity Awareness for Employees and Information Security Workshop.

In-house seminars were conducted by DOF with the topics on Stress Management, Quality Customer Service Back-to-Back with Gender and Customer Service, Accounting for Non-Accountants, Essentials of Supervision and Leadership, Image Enhancement, Staging Your Success and Work Attitude and Values Enhancement. Orientation/Reorientation course was also conducted for new employees.

To promote Health and Wellness Program and Disaster Preparedness in DOF, lectures were conducted on the topics of Stress Management, Non Alcoholic Fatty Liver, Prohibited Drug, What to do After Retirement, Senior Citizen Active Ageing Advocacy, Hypertension, Drug Abuse Prevention, Occupational First Aid and Basic Life Support - CPA/AED and Disaster Preparedness Seminar for Senior Citizens.

A total of eleven (11) scholars from the DOF and its attached agencies graduated from AIM with a degree on Executive Master in Development Management with concentration on Public Finance on 11 December 2016. The scholarship begun in 2013 with twelve (12) scholars from DOF and twenty-six (26) from its attached agencies.

In addition to formal learning opportunities, experiential learning in the form of secondment is also available to employees. In 2016, six (6) DOF personnel were seconded to IC, IMF-BSP, World Bank, ADB, and World Health Organization. The DOF Internship Program is one of the avenues of the Department to participate in citizen-engagement by harnessing youth power in nation building. The program has 3 cycles with 2 semesters and a summer session. Interns from different universities were provided hands-on training and exposed to actual work situations in DOF offices. Staff work and exposure were supplemented with observation and museum tours to the Museo ng Bangko Sentral ng Pilipinas and BTr where the students were given the opportunity to know more of these agencies' mandates and operations, as well as to appreciate the historic and aesthetic value of Philippine history and culture.

## NATIONAL EVENTS ATTENDED BY DOF

- Sama-samang Pagsulong sa mga Agenda ni Juana
- R.A.C.E to Serve Fun Run VI
- Walk for Life
- National Women's Month
- Kick-off Activity for the 18-Day Campaign to End VAW
- VAW-free Community Starts With Me



# BUILDING A BUREAUCRACY FOR THE FUTURE

▼ *FLS: “Museo ng Bangko Sentral ng Pilipinas and Metropolitan Museum of Manila Tour” at Bangko Sentral ng Pilipinas on 29 January 2016*



▼ *FLS: Cybersecurity Awareness for Employees at DOF on 19 August 2016 Facilitated by CMIO-ISDOD and PNP-ACG*



▶ *Seminar on Staging Your Success at DOF on 11 November 2016 Facilitated by SilverTrain, Inc.*



▶ *Executive Master in Development Management with concentration on Public Finance Graduation at AIM on 11 December 2016*



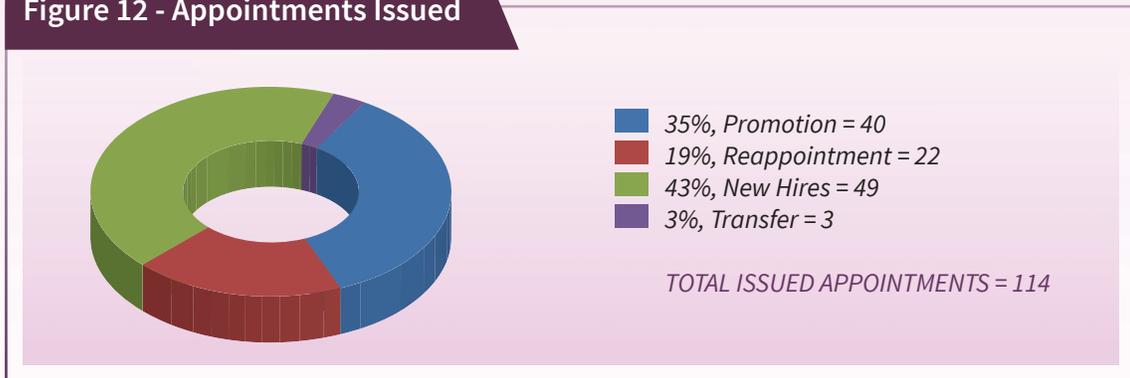
▶ *Seminar on Image Enhancement at DOF on 12 October 2016 Facilitated by SilverTrain, Inc.*



▶ *Bureau of the Treasury Tour – DOF Summer Internship Program 2016 at BTr on 18 May 2016*

Physical Report of Operations for CY 2016

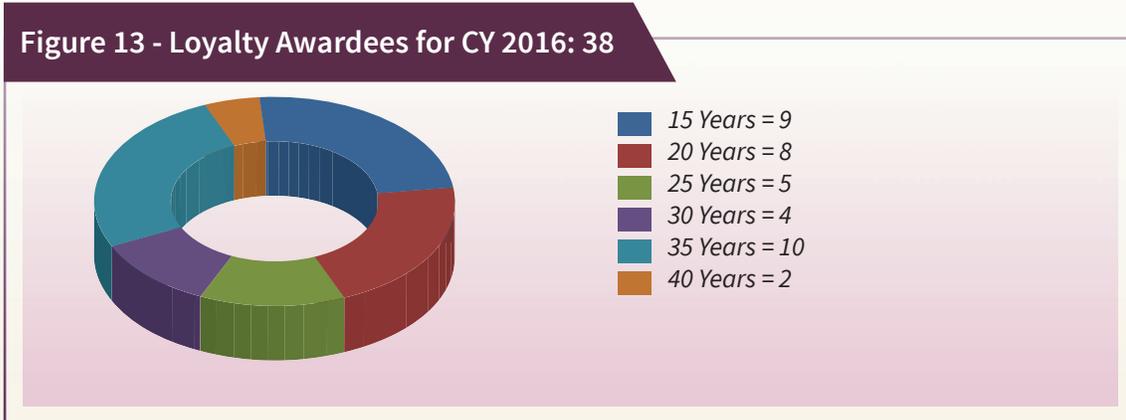
Figure 12 - Appointments Issued



The chart illustrates the DOF appointment's percentage breakdown for CY 2016.

Out of 114 appointments, 49 employees (43%) were newly hired; 40 employees (35%) were promoted; 22 employees (19%) were reappointed, and the remaining 3 employees (3%) were transferred from other government agencies.

Figure 13 - Loyalty Awardees for CY 2016: 38



Thirty eight (38) DOF employees were awarded with loyalty awards in 2016; 2 of them served the DOF for 40 years, 10 for 35 years, 4 for 30 years, 5 for 25 years, 8 for 20 years and the remaining 9 for 15 years.



# CREATION OF THE OFFICE OF THE CHIEF ECONOMIST

(FROM DEPARTMENT ORDER NO. 056-2016 DATED NOVEMBER 7, 2016)

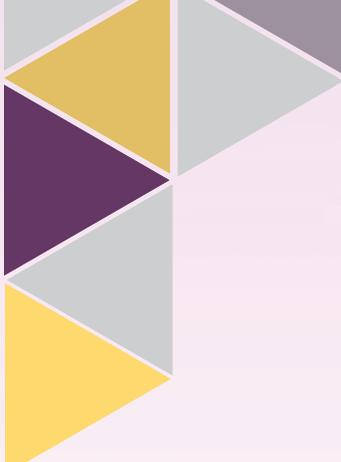
On 7 November 2016 (DOF Department Order No. 056-2016), recognizing that finance, fiscal management, and revenue initiatives have economic relevance and importance, **Undersecretary Gil S. Beltran** was appointed Chief Economist on a full-time basis to provide intellectual and analytical resource to the Secretary of Finance.

In particular, his support functions to the Secretary are to:

- Advise on emerging economic issues, including global, regional and sectoral trends and development;
- Undertake economic research and analysis in support of finance, trade and investment policies and activities, international agreements and business developments;
- Provide economic briefs, speaking notes and representation in dialogues and meetings;
- Work closely and contribute to policy dialogue with other units in DOF and other offices towards developing policy-relevant research and strategic policy responses;
- Provide senior advice and quality review to analytical and advisory activities
- Produce publications, presentations and analytical papers on economic issues and trends;
- Author or co-author papers of publishable quality;
- Participate in conferences, seminars and workshops, especially to present and disseminate analytical work developed; and
- Perform other functions that may be assigned by the Secretary.

**TABLE 9 - Accomplishments of the Office of the Chief Economist (OCE) for CY 2016**

| OCE Accomplishments                   |  |
|---------------------------------------|--|
| Economic Research                     | <ul style="list-style-type: none"> <li>• Prepared and released DOF Economic Bulletins               <ul style="list-style-type: none"> <li>○ Monthly Bulletins on Inflation, Imports, Exports, Manufacturing Output</li> <li>○ Quarterly and Annual Bulletins on GDP Growth</li> <li>○ Special bulletins on the analysis on recent economic developments such as Impact of Fed tapering, China stock market drop, financial volatilities, and Brexit are explained right after they occur.</li> <li>○ Release of monthly inflation forecast</li> </ul> </li> </ul> |
| Strategic Messaging                   | <ul style="list-style-type: none"> <li>• Provided data and insights for the Secretary's speeches and interviews</li> </ul>   |
| Maintaining Investor Confidence       | <ul style="list-style-type: none"> <li>• Accommodated meetings with local and international investors, as requested (e.g. Deutsche Bank, Citibank, Standard and Poor, etc.)</li> </ul>   |
| Inputs on other Matters               | <ul style="list-style-type: none"> <li>• Provided comments on House and Senate Bills</li> <li>• Provided comments on draft country reports by various multilateral organizations such as World Bank</li> </ul>   |
| Ensure dissemination of Fiscal Policy | <ul style="list-style-type: none"> <li>• Conducted Public Finance lectures to Development Academy of the Philippines – Public Management Development Program</li> <li>• Conducted Economic Briefing sponsored by the Development Bank of the Philippines</li> <li>• Participated in local and international workshops and conferences</li> </ul>   |
| Others                                | <ul style="list-style-type: none"> <li>• Representation to various fora</li> <li>• Attending auctions of government securities</li> <li>• Substantial support in DOF sponsored events (ASEAN and FIDN)</li> <li>• Substantial support during the 2017 National Budget Hearings</li> </ul>  |



## HIGHLIGHTS ON GENDER AND DEVELOPMENT FOR CY 2016

**N**otable GAD accomplishment for CY 2016 was the conduct of GAD Immersion Program and Learning Visit to GAD Local Learning Hub in Iloilo on 4-7 May 2016. The program enabled the GAD Focal Point System of DOF, its Bureaus and Attached Agencies to gain awareness and better appreciation on GAD best practices in the province of Iloilo. It also served as an avenue to network with other GAD advocates through visits to the UP-Visayas GAD Regional Center and Child Minding Center, and Pavia, Iloilo Women's Entrepreneurs. A lecture on Results Based Management (RBM) was also provided by Iloilo GAD Unit for increased knowledge on the development of GAD Framework using the RBM system which they apply to their GAD programs/projects. Likewise included in the program was the launching of the Revenue Integrity Protection Service (RIPS) Gender Database on Corruption, partly funded by MCA/P which studies the linkage between gender and corruption.

The DOF also participated in the celebration of the National Women's Month by sending delegation to the *Sama-samang Pagsulong sa Agenda ni Juana* on 16 March 2016.

A "For Women only" Project Vanity Beauty Tour back-to-back with All Women Kapihan was conducted on March 15, 2016 which aimed to enhance women's personality and to give honor to DOF women leaders. Another delegation was sent to the 18-Day Campaign to End Violence Against Women (VAW) Kick-off Activity on 25 November 2016 at PICC where VP Leni Robredo was Guest of Honor.

Other GAD-related activities conducted were Gender and Customer Service Seminar, Gender Sensitivity Training, GMEF Application Workshop, Orientation on GAD Concepts and Anti-Sexual Harassment and Film Screenings on the lives of women that aimed to inspire the audience in coordination with the Cultural Center of the Philippines.



# ANNEX

## MDFO Projects Completed in 2016

**LGU:** Province of Zamboanga del Norte  
**Project Name:** Acquisition of Heavy Equipment  
**Completion Date:** 12 March 2016  
**Description:**

- 7 units of Vibrator Roller
- 5 units Motor Grader
- 4 units Backhoe/Excavator with breaker
- 3 units Backhoe/Excavator w/o breaker
- 5 units Wheel Loader
- 10 units 6-wheeler Dump Truck
- 10 units 10-wheeler Dump Truck



**LGU:** Quirino, Ilocos Sur  
**Project Name:** Construction of River Protection  
**Completion Date:** 16 February 2016  
**Description:**

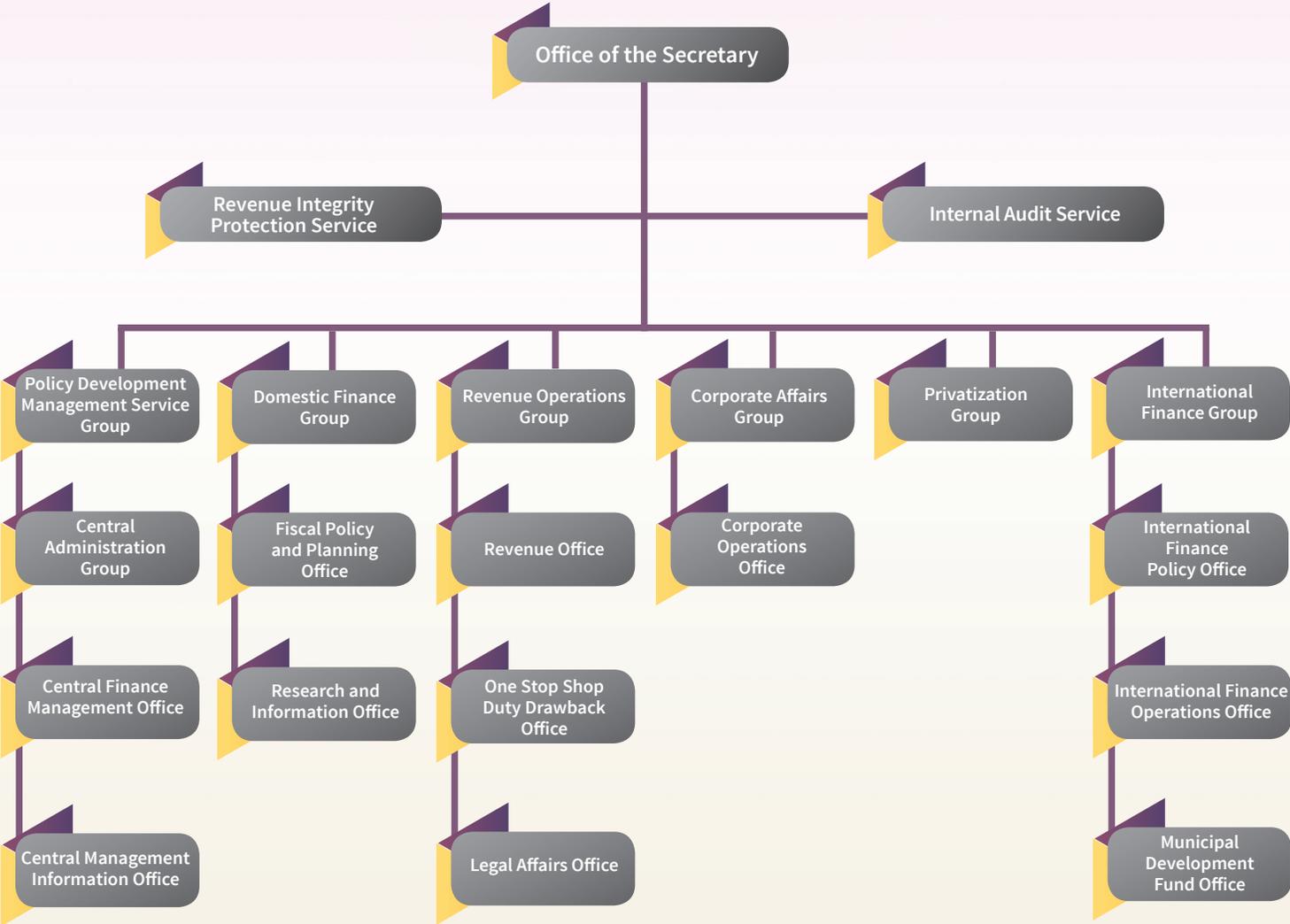
- The proposed subproject is construction of river protection at the 9 brgys., as follows:
  - ▶ Brgy. Cayus, Mutuang River Control - 183 m. gabion
  - ▶ Brgy. Malideg, Lobolbo River Control - 117 m. stone masonry & concrete pavement
  - ▶ Brgy. Banoen, Tongay River Control - 78 m. Stone Masonry
  - ▶ Brgy. Patungcaleo, Baracbac - 141 m. gabion
  - ▶ Brgy. Lamag, Apag-Madikok - 244 m. gabion
  - ▶ Brgy. Patiagan, Ningawa-Liblib River Control - 129 m. retaining wall
  - ▶ Brgy. Baniakaw, Namitpit River Control - 366 m. gabion
  - ▶ Upper Labay&Lagpat, Poblacion River Control - 2 lengths of 157 m. Stone Masonry
  - ▶ Tilek, Libtong, Suagayan River Control - 146 m. gabion



**LGU:** Mati City, Davao Oriental  
**Project Name:** Construction of Mati City New Public Cemetery  
**Completion Date:** 25 April 2016  
**Description:**

- Land preparation
- Perimeter fence and Atriums at Bone and Coffin Crypts
- 1,800 Units Coffin Crypts
- 3,700 Units Bone Crypts
- Toilets
- Water Supply
- Administration Building

# DEPARTMENT OF FINANCE ORGANIZATIONAL CHART





# DOF OFFICERS

## **Office of the Secretary**

Secretary Carlos G. Dominguez

- ▶ Chief-of-Staff  
Undersecretary Grace Karen G. Singson

## **Revenue Integrity Protection Service**

Director Ray Gilberto J. Espinosa

## **Internal Audit Service**

Director Alvin P. Diaz

## **Office of the Chief Economist**

Undersecretary Gil S. Beltran

## **Policy Development & Management Services Group**

Undersecretary Gil S. Beltran

- ▶ Central Administration Office  
OIC Director Ma. Lourdes V. Dedal
- ▶ Central Finance Management Office  
Director Ma. Lourdes V. Dedal
- ▶ Central Management Information Office  
Director Angelica I. Sarmiento  
Director Michaelangelo G. Aguinaldo

## **Domestic Finance Group**

Undersecretary Bayani H. Agabin

Assistant Secretary Soledad Emilia J. Cruz

- ▶ Fiscal Policy and Planning Office  
Director Elsa P. Agustin  
Director Rowena S. Sta. Clara
- ▶ Information and Liaison Office  
Director Juvy C. Danofrata

### **Revenue Operations Group**

Undersecretary Antonette C. Tionko  
Assistant Secretary Mark Dennis Y.C. Joven  
Director Marie S. Rieza-Culangen

- ▶ Revenue Office  
Director Sheila N. Castaloni  
Director Eleazar C. Cesista
- ▶ One Stop Shop Duty Drawback Office  
Executive Director Ernesto Q. Hiansen  
Deputy Executive Director Carmelo T. Casibang, Jr.
- ▶ Legal Affairs Office  
Director Jesus Nathaniel Martin B.Gonzales
- ▶ Fiscal Intelligence Unit

### **Corporate Affairs Group**

Undersecretary Gil S. Beltran

- ▶ Corporate Operations Office  
Director Charissa P. Hipolito (on Secondment to ADB)  
Director Joanna P. Castillo

### **Privatization Group**

Undersecretary Karen G. Singson

### **International Finance Group**

Assistant Secretary Rosalia V. de Leon  
Assistant Secretary Maria Edita Z. Tan

- ▶ International Finance Policy Office  
Director Herminio C. Runas Jr.
- ▶ International Finance Operations Office  
Director Rommel S. Herrera  
Director Ma. Estela C. Laureano
- ▶ Municipal Development Fund Office  
Executive Director Helena B. Habulan





# ATTACHED AGENCIES

**Bureau of Internal Revenue**

Commissioner Caesar R. Dulay

**Bureau of Local Government Finance**

OIC Executive Director Niño Raymond B. Alvina

**Bureau of Customs**

Commissioner Nicanor E. Faeldon

**Central Board of Assessment Appeals**

Chairperson Manuel D.J. Siayngco

**National Tax Research Center**

Executive Director Trinidad A. Rodriguez

**Bureau of the Treasury**

National Treasurer Roberto B. Tan

**Insurance Commission**

Commissioner Emmanuel F. Dooc

**Philippine Deposit Insurance Corporation**

President Cristina Q. Orbeta

**Philippine Export-Import Credit Agency**

President Florencio P. Gabriel, Jr.

**Securities and Exchange Commission**

Chairperson Teresita J. Herbosa

**Privatization and Management Office (PMO)**

**Chief Privatization Officer (Executive Director V)**

Ma. Lourdes B. Recente

# DOF DIRECTORY

| OFFICE  | CONTACT DETAILS  | OFFICE                                     | CONTACT DETAILS                                |
|---|--|--|--|
| <b>OFFICE OF THE SECRETARY</b>                            | 523-9215; 523-9215;<br>523-9219; 525-5166;<br>525-0380; 526-8474 (TeleFax) | <b>INTERNATIONAL FINANCE GROUP</b>         |  |
| Chief of Staff  | 523-9220   | Office of the Undersecretary               | 526-9990                                       |
| Revenue Integrity<br>Protection Service (RIPS)            | 404-1775   | International Finance<br>Operations Office |  |
| <b>POLICY DEVELOPMENT &amp; MANAGEMENT SERVICES GROUP</b> |  | Office of the Director                     | 526-9990                                       |
| Office of the Undersecretary                              | 523-5671   | Debt Structuring Division                  | 526-9990                                       |
| Central Administration Office                             |  | Multilateral Assistance Division           | 523-9223                                       |
| Office of the Director                                    | 526-1265   | Bilateral Assistance Division              | 523-9911; 525-4194                             |
| Personnel Services Division                               | 525-0244   | International Finance Policy Office        |  |
| Medical and Dental Division                               | 526-6967   | External Adjustment Division               | 400-7446                                       |
| Central Records and<br>Management Division                | 526-8470   | Municipal Development<br>Fund Office       | (Trunk line)<br>523-9936; 523-9937             |
| General Services Division                                 | 526-8475; 524-4227   | Office of the Director                     | (Direct Line) 523-9935                         |
| Property and<br>Procurement Section                       | 526-4786   | Office of the Deputy Director              | (Direct Line) 525-9185                         |
| Cash Section  | 526-5573   | Finance Division                           | (Direct Line) 521-7192 local 204               |
| Library Section   | 526-8410   | Accounting Division                        | 523-7192 local 212                             |
| Central Financial<br>Management Office                    |  | <b>CORPORATE AFFAIRS GROUP</b>             |  |
| Office of Director  | 526-8166   | Office of the Undersecretary               | 524-5221                                       |
| Budget Division   | 526-8464; 526-6941 (TeleFax)   | Office of the Assistant Secretary          | 523-9938                                       |
| Accounting Division                                       | 523-5624   | Corporate Operations Office                |  |
| Management Services Division                              | 526-6932   | Office of the Director                     | 527-3826; 400-6882 (TeleFax)                   |
| Central Management<br>Information Office                  | 526-8467; 525-4451   | Corporate Policy<br>Research Division      | 525-7309                                       |
| <b>REVENUE OPERATIONS GROUP</b>                           |  | <b>DOMESTIC FINANCE GROUP</b>              |  |
| Office of the Undersecretary                              | 523-9221   | Office of the Undersecretary               | 523-5671                                       |
| Office of Assistant Secretary                             | 523-4955   | Office of the Assistant Secretary          | 523-5678                                       |
| Tax Exemption Division                                    | 526-0531   | Fiscal Policy and Planning Office          | 523-3825 (TeleFax)                             |
| Office of the Director                                    | 526-8458   | Office of the Director                     | 524-0607                                       |
| Customs and Tariff Division                               | 526-7311   | Fiscal Policy Division                     | 524-0607                                       |
| International Revenue Division                            | 526-8476   | Fiscal Planning Division                   | 524-4332                                       |
| Research Monitoring Division                              | 526-7311   | Statistics Division                        | 525-4332                                       |
| Mabuhay Lane  | 526-8458   | Special Studies Division                   | 523-3825 (TeleFax)                             |
| One-Stop-Shop Tax Credit<br>and Duty Drawback-Center      |  | National Credit Council                    | 523-3825 (TeleFax)                             |
| Office of the Director                                    | 526-0076; 526-0750; 526-7357   | Research and Information Office            |  |
| OSS-Operations  | 526-0842   | Office of the Director                     | 526-8462 (TeleFax)                             |
| OSS-Policy  | 526-1787   | Research and Liaison Division              | 524-0618 (TeleFax)                             |
| OSS-MIS   | 526-8450   | Information Division                       | 524-0619                                       |
| OSS-BOC   | 526-0751   | <b>PRIVATIZATION GROUP</b>                 |  |
| OSS-Admin   | 526-0076   | Privatization Office                       | 524-1633; 523-5727<br>525-1321; 523-5143 (Fax) |
| Legal Affairs Office                                      | 526-8449   |  |  |



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